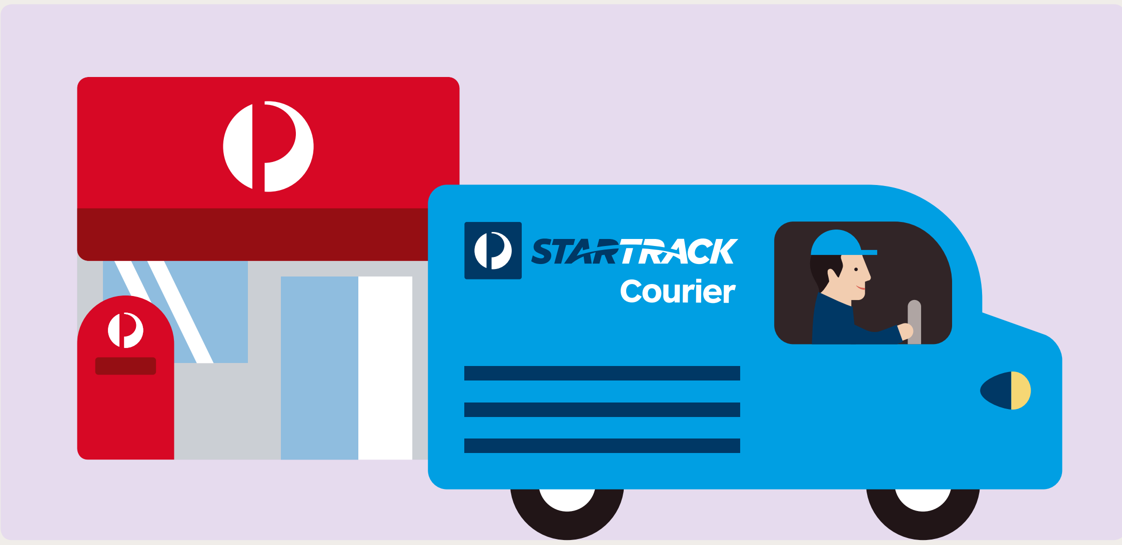
AUSTRALIA POST

Annual Report 2015

Delivering eCommerce

Everyone, Everywhere, Everyday



Delivering eCommerce

This year, we continued to make it easier for businesses to sell online and deliver, and for customers to collect and return their online purchases.

4,406
Post Offices
making it easy for customers to send, receive and collect their parcels

18,000+
Parcel Lockers
giving customers greater choice of where and when they collect their parcels across 230+ locations

15,591
Street Posting Boxes
enabling customers to send parcels or return online purchases 24/7

3.5 Million+
Last-Mile Notifications
helped customers collect their parcels sooner

2 Million+
MyPost Subscribers

1.5 Million+
App Downloads

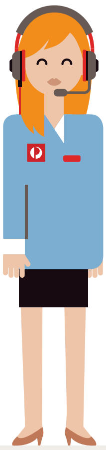
Helping hundreds of small businesses
Go and Grow Online

500 Million+
Chinese Consumers
can now buy goods from Australian businesses using our Tmall and JD.com virtual storefronts

11.4 Million
Delivery Points
mean your online purchases can be delivered, no matter where you live

Delivering a better future

Our People



We employed **36,743** people, in **3,832** communities across the country

We continued to focus on creating a safety culture and achieved a **12.5%** improvement in our Lost Time Injury Frequency rate

We supported our people by making operational changes that mean **35%** of all parcels are now delivered by posties

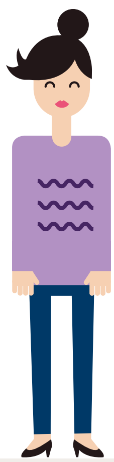
Our Customers

We welcomed more than **344 million** online and in-store customer visits

We exceeded our Community Service Obligations by delivering **94.8%** of letters on time or early

We acted as agent for more than **750** government bodies and corporates to make it easier for our customers to do important tasks like paying bills, applying for a licence or getting a passport

Our Community



We engaged local communities in the future of Australia Post at **197** community events, held in **166** towns across the country

We invested more than **$210 million** in delivering our Community Service Obligations

We provided more than **$6.5 million** in cash, in-kind and operational support for community programs, and funded more than **110** community grants

Australia Post is a self-funded government business enterprise, with the Australian Government as its sole shareholder. It does not receive taxpayer funds and, in fact, has paid dividends to the Australian Government of more than $2.5 billion over the past 10 years.

As required under the *Australian Postal Corporation Act 1989* we continue to balance our commercial objectives with the need to deliver our community service obligations.

Any profit we earn, where appropriate, is used to pay a dividend to our shareholder and reinvested in our assets and services so that we are equipped to meet the changing needs of our customers and the community.

This is the fifth year we have produced an integrated annual report incorporating our overall sustainability performance, including our financial, social and environmental activities for the 2015 financial year.

The report is prepared in accordance with legislative requirements, the Global Reporting Initiative (GRI) G4 Guidelines, and the principles set out in the United Nations Global Compact.

The report provides information for our four primary stakeholders – our shareholder (the Australian Government), our people, our customers and the broader community. To ensure we delivered a balanced and relevant review of FY15, we conducted a rigorous materiality assessment to determine the issues of greatest concern to our stakeholders.

In doing so, we consulted with internal stakeholders (including representatives of our Risk and Compliance, Stakeholder Relations, Workplace Relations, Sustainability and Community Relations areas) and drew on a number of source materials such as recent customer research and media coverage. These outcomes were then tested with the Australia Post Stakeholder Council.

Contents

Delivering eCommerce IFC
Delivering a better future 1

Leadership

Chairman's message 4
Managing Director & Group CEO's message 5
Board and leadership team 6

Our Business

What we do 8
An eCommerce future 10
Financial performance 14
Engaging our stakeholders 16
Our Stakeholder Council 17

Delivering eCommerce

Delivering a better future 18
Investing to become an eCommerce leader 20
Building our parcels business 21
Transforming the post office 27
Embracing technology and innovation 30

Delivering a Better Future

For our people 33
For our customers 38
For our community 42

G4 content index 48
Assurance statement 49
Corporate governance statement 50
Financial and statutory reports 59
Community service obligations 107
Australia Post – the statistics 123
Index 125
Glossary 127
About this report 128

Leadership

Chairman's message

This financial year marked a significant turning point for Australia Post. We made important progress in managing the decline of letters, while developing the customer-centric attributes and culture that are required to succeed in the eCommerce market.

Reforming our letters service

The biggest challenge that Australia Post faced this year was, again, the accelerating decline in the use of letters, as Australians continued to switch to digital alternatives. The 7.3 per cent decline in addressed letters this year brings the cumulative volume decline to 30.6 per cent since our mail peak in 2007/08.

Consistent with our forecasts, this was the year where the financial losses we incurred in the letters service actually overwhelmed the profits we earned from parcels, and retail and agency services.

Given the accelerating rate of volume declines and mounting financial losses in letters, we worked closely with the Government on developing a regulatory response to the structural decline of this valued community service. The Federal Government announced that it would support the regulatory reform of the letters service in March 2015. At the time of writing, those reforms are before the Parliament.

This is a crucial reform because it will enable us to reduce the size of our losses in letters, and remain a self-funding corporation with the capacity to invest in contemporary services for the benefit of all Australians.

The reform also preserves those aspects of our service that the community values most highly – including five-day-a-week delivery and the maintenance of 4,000-plus post offices.

That's vitally important for Australia, because our physical network underpins commercial activity, enables universal access to services, and promotes social inclusion – especially in rural and remote communities.

Delivering eCommerce

Our future is clearly linked to enabling and supporting the growth of eCommerce – through our nationwide networks, as well as our growing range of trusted identity and payments services.

However, given the trend towards borderless commerce, the logistics market is becoming intensely competitive and increasingly global. This year there was a noticeable trend of overseas operators entering our domestic market.

In response, we have maintained our strategic focus on creating more customer-centric services, capabilities and cultural attributes to cement our leading role in the delivery of online shopping for all Australians.

We are very mindful that customer behaviour continues to shift, rapidly, as customers, everywhere, seek greater value and convenience in this era of mobile connectivity.

I am confident that Australia Post now has the right team, culture and strategy to leverage our nationwide infrastructure – and meet the rising expectations of our customers.

Thank you

I want to sincerely thank my fellow directors, our Managing Director & Group CEO Ahmed Fahour, the management team, our employees, licensees, contractors and agents – for all of your hard work and commitment throughout this tough transition year.

Our many achievements this year will stand us in good stead to return to a sustainable and profitable position in the years ahead.

John Stanhope
Chairman

Managing Director & Group CEO's message

While we recorded a financial loss overall, we also made important headway with the reform of letters and our strategy to deliver eCommerce for all Australians – everywhere, every day.

Our 2014/15 performance

As we expected, this was a challenging year for Australia Post.

Across the Australia Post Group, we incurred a full-year loss, as letter volume declines accelerated (down 7.3 per cent on last year) leading to a record loss in our letters business. Total revenue for the year was $6.4 billion (down 0.1 per cent), and our after-tax loss was $221.7 million (down from last year's profit of $116.2 million).

In terms of community service, we again met all of our performance standards, including delivering 94.8 per cent of letters on time or early (well ahead of our 94 per cent target) and maintaining 4,406 post offices (against a target of 4,000 access points).

The other encouraging aspect of this year's results is the ongoing reduction in workplace injuries. Our Lost Time Injury Frequency Rate (LTIFR) was 7.0 this year (down from 8.0 in 2013/14). Our sustained focus on improving our safety culture has resulted in a 39 per cent reduction in our LTIFR over the past three years.

Regulatory reform

We welcomed the Federal Government's announcement this year that it will reform the regulations that apply to our letters service. This is the first change to the regulations since they were drafted in the pre-digital era.

These reforms will enable us to introduce a two-speed letters service for consumer mail, as well as increase stamp prices, so that they reflect the true cost that we incur in delivering the mail. In framing the reformed letters service, we will continue to offer discounted postage to the most disadvantaged Australians and senior citizens.

Building in eCommerce

Over the past five years, we have been building the infrastructure and digital assets that will enable us to support the growth of Australian eCommerce.

The reform of the letters service means we will have the capital and the resources that we need to manage the ongoing transition of our core business, as we seek to become the trusted partner that supports eCommerce delivery and services – for all Australians.

This year, our expanded Sydney and Melbourne parcels facilities became operational, effectively doubling our processing capacity at both sites. And we also made great progress with the development of our personalised, digital offering, under the MyPost brand. By year's end, over two million Australians had registered on MyPost.

Our people and partners

As we manage this change in our core business, we are supporting our existing employees and our business partners to make the transition with us.

Under our successful Post People 1st program, 59.9 per cent of all available roles at Australia Post were filled by internal candidates in 2014/15. We also demonstrated our commitment to sustaining the post office network this year, by boosting payments to post office licensees and community agents.

Thank you

I firmly believe that our future success begins with looking after our own people. If we have happy staff, they will delight our customers and help to build healthy, functioning communities – and that will please our shareholder. Thank you, once again, to everyone working across our broad, nationwide team.

It is a great privilege to work with you, every day.

Ahmed Fahour

Ahmed Fahour
Managing Director & Group CEO

Board and leadership team

From left:

Peter Carne, Brendan Fleiter, John Stanhope, Ahmed Fahour, Talal Yassine OAM, Dominique Fisher, Michael D'Ascenzo AO, Susan Bitter (Pictured at Australia Post's Corporate Headquarters, 111 Bourke Street, Melbourne)

John Stanhope

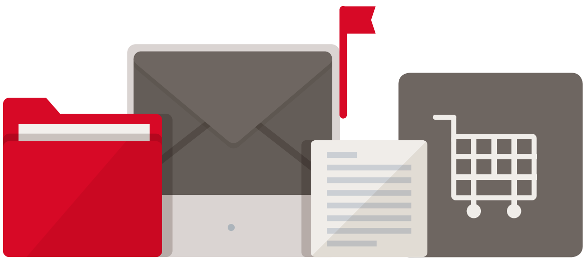
BCom (Economics and Accounting), FCPA, FCA, FAICD, FAIM, FAHRI
Chairman (non-executive)

John Stanhope was appointed chairman of Australia Post in November 2012 (current term expires in November 2016), and has extensive experience in finance, treasury, risk management and assurance, investor relations and corporate security and investigations. Mr Stanhope is currently chairman of the Melbourne International Jazz Festival, a director of AGL Energy Limited, the Bionics Institute and Our Neighbourhood Trust and Chancellor elect (from 1 January 2016) of Deakin University. He was previously chief financial officer and group managing director, finance of Telstra and an executive director of Telstra.

Ahmed Fahour

BEcon (Hons), MBA, FAICD
Managing Director & Group Chief Executive Officer

Ahmed Fahour was appointed managing director and group chief executive officer of Australia Post in February 2010. He has held a number of senior executive positions within the finance and banking industries in Australia and overseas and was previously CEO of Citigroup (Australia and New Zealand) and National Australia Bank (Australia) and is the former chairman of Rip Curl Group. Mr Fahour is currently a director of Our Neighbourhood Trust, Carlton Football Club and chairman of Pro-Pac Packaging.



Brendan Fleiter

LLB, B.Juris. MAICD
Deputy Chairman (non-executive)

Brendan Fleiter has been a member of the Australia Post Board since October 2011, and was appointed deputy chairman in May 2013 (current term expires May 2017). Mr Fleiter is a former CEO of Crazy John's Group and is a qualified lawyer with extensive retail and telecommunications business experience. Mr Fleiter is currently the deputy chair of Methodist Ladies' College and chair of its Foundation and is a director of Volleyball Victoria, Our Neighbourhood Trust, The Australian Food Allergy Foundation, Kennards Hire, Godfreys Group and Walnut Melbourne.

Peter Carne

BA, LLB, FAICD, FAIM
Director (non-executive)

Peter Carne was appointed to the Australia Post Board in December 2009 (current term expires December 2015). Mr Carne has served in both the public and private sectors and has formerly held the position of Public Trustee of Queensland. He is also a former CEO of the Queensland Law Society and a former director of Lexon Insurance Pte Limited and Tarong Energy Corporation.

Michael D'Ascenzo AO

BEc, LLB, CA, FAICD, Hon. Life Member of CPA, Hon. FATMA
Director (non-executive)

Michael D'Ascenzo was appointed to the Australia Post Board in May 2013 (current term expires in May 2016), and is recognised internationally for his leadership, expertise and innovation in administration, risk management and governance, as well as his technical design skills in tax law and superannuation. Mr D'Ascenzo is currently a member of the Clean Energy Regulator and the Foreign Investment Review Board. He was previously Commissioner of Taxation and a member of a range of public sector boards.

Dominique Fisher

BA (Hons), MAICD
Director (non-executive)

Dominique Fisher was appointed to the Australia Post Board in November 2014 (current term expires in November 2017), and has extensive business experience in the corporate area, including the commercialisation of new technologies. Ms Fisher is principal of EC Strategies, executive chair of CareerLounge Pty Ltd and chair of Circadian Technologies Ltd. Her past appointments have included a director of Pacific Brands, Insurance Australia Group, NRMA, Opera House Trust and Prostate Cancer Foundation, as well as chair of Sky Technologies.

Retirements

Susan Bitter

BEc (Hons), Dip App Fin&Inv, FICA, MAICD
Director (non-executive)

Susan Bitter was appointed to the Australia Post Board in August 2012, and has extensive commercial experience, including in the areas of finance, corporate governance and risk management. Ms Bitter is currently a director of The Industry Superannuation Property Trust. Formerly she was a director of Worksafe Victoria and is the former chief operating officer of Corrs Chambers Westgarth, chief executive of Slater & Gordon and partner of Arthur Andersen. Ms Bitter retired from the Board of Australia Post in August 2015.

Talal Yassine OAM

BA, LLB, LLM, MBA, Hon. Professorial Fellow (ANU), Adjunct Professor (UWS)
Director (non-executive)

Talal Yassine was appointed to the Australia Post Board in August 2012. Mr Yassine is currently the managing director of Crescent Wealth and also serves on the Board of the Whitlam Institute, the Australia Malaysia Institute, Medina Capital and is the chairman of the Department of Foreign Affairs, Council of Australian-Arab Relations. He has previously served on the Board of Macquarie University, Sydney Ports Corporation and as the deputy chairman of a government regulator. Mr Yassine retired from the Board of Australia Post in August 2015.

Resignations

Paul O'Sullivan

Director (non-executive)

Paul O'Sullivan was appointed to the Australia Post Board in November 2014 and subsequently resigned in December 2014.

The Hon. Trish White

BE, BA, FAICD, FIEAust
Director (non-executive)

Trish White was appointed to the Australia Post Board in July 2010 and resigned in August 2014.

Our Executive Committee

From left:

Bob Black
Executive General Manager
Parcel Services

Janelle Hopkins
Group Chief Financial Officer

Catherine Walsh
General Manager
Human Resources

Ahmed Fahour
Managing Director & Group CEO

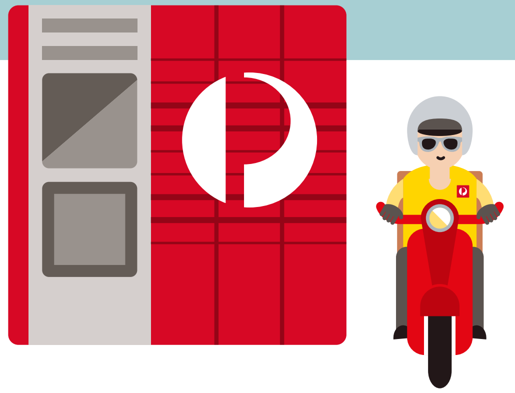
Chris Blake
Executive General Manager
Corporate Affairs and People

Christine Corbett
Executive General Manager
Postal Services

Ewen Stafford
Group Chief Operating Officer

Paul Burke
Corporate Secretary & General Manager Government Affairs

Our Business



Our network of 4,406 post offices mean we are never far away – making it easy for our customers to send, receive and collect their parcels. Our network of more than 200 Parcel Locker locations gives customers even more choice about where and when they collect their goods.

Our 15,591 street posting boxes mean that even if you live on Horn Island in the Torres Strait, you can post a letter across the world or return your online purchases as easily as someone in a capital city.

With 11.4m delivery points across the country, we deliver almost everywhere. So, even if you live in Kununurra in WA's remote Kimberley region, you'll be on one of our routes.

• The red highlights on this map, denote the location of our 11.4 million delivery points

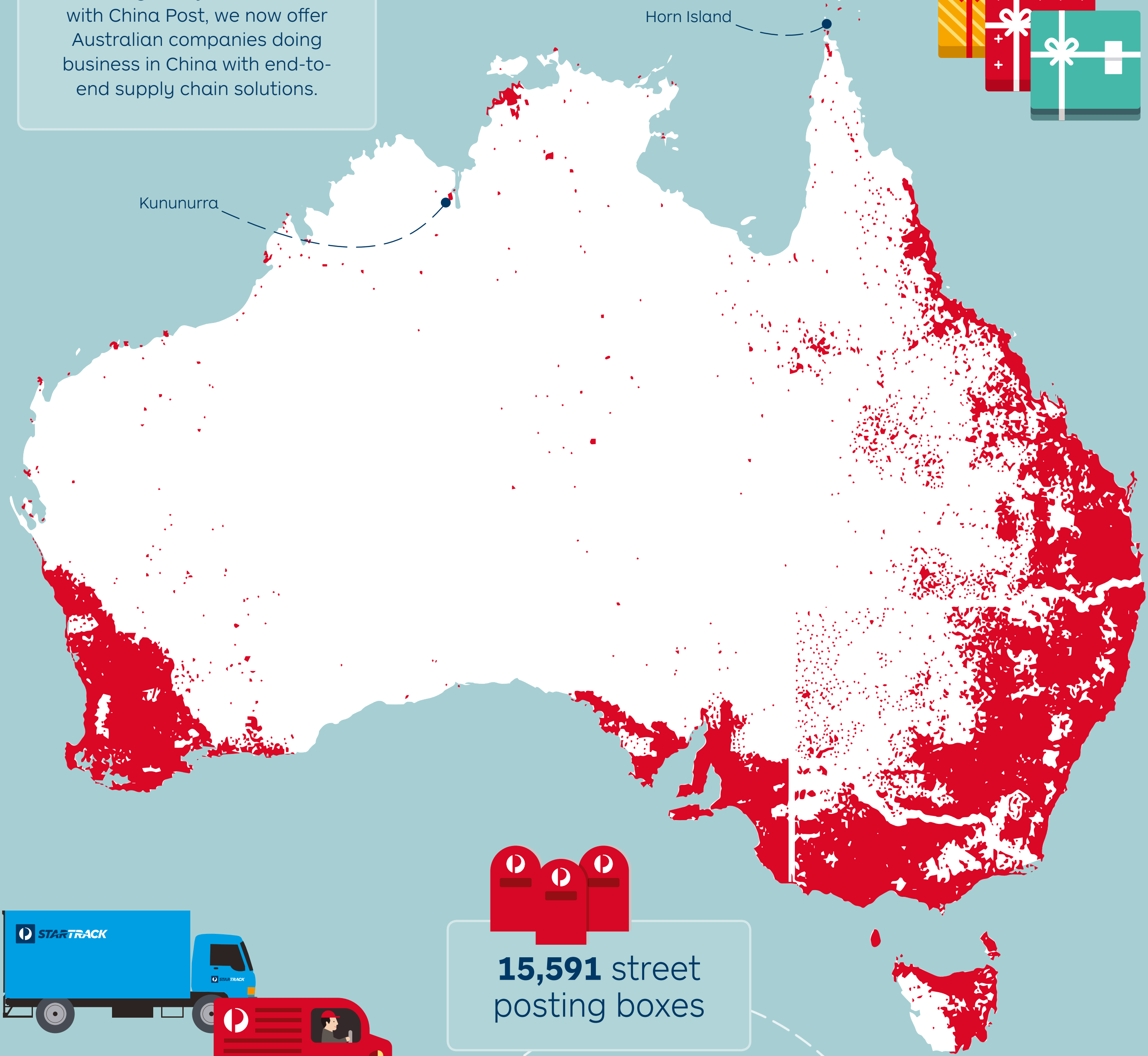
Asian gateway

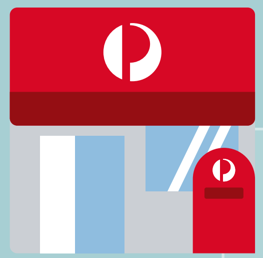
We help Australian businesses to reach more than 500m Chinese consumers through our online marketplaces on JD.com and Tmall.

Through our joint venture with China Post, we now offer Australian companies doing business in China with end-to-end supply chain solutions.

Shop like you live in the USA

Our Shopmate service now allows Australian consumers to make online purchases from retailers who only ship with in the USA.

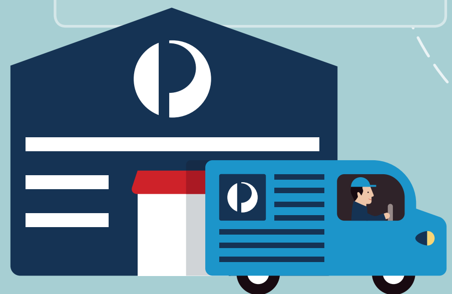


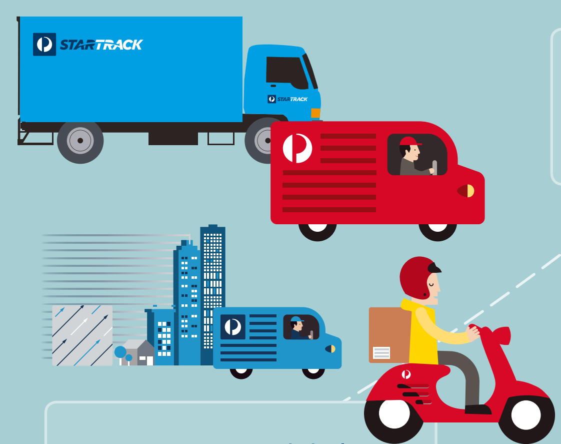


4,406 post offices
200+ Parcel Locker locations

36,743 people located in more than **3,832** communities across the country

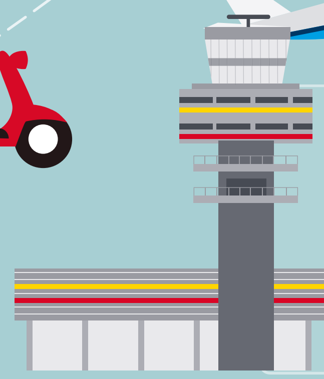
4 gateway facilities connecting our network globally

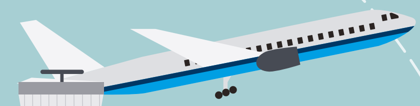




15,591 street posting boxes

11,000+ vehicles, travelling more than **350 million kms**





With access to **750+** flights and **80+** destinations every day, we carried more than **74 million** kilos of air freight this year

WHY WE'RE CHANGING

Meeting the needs and expectations of customers and communities across Australia will always be at the heart of who we are. It's why we love delivering.

Technology is transforming our world, and the needs of our customers and communities are changing with it. That's why Australia Post is changing too.

Change brings opportunity. We have an opportunity to help Australians and Australia grow. In doing so, our business will grow.

Our competitors and partners also see the opportunity:

Global business-to-consumer eCommerce sales are forecast to reach **US$2.3tr** in 2016

Australians spent **$17.3b** shopping online in FY15

75% of parcels we deliver to Australian homes originate from online shopping

OUR ECOMMERCE FUTURE

The building blocks of eCommerce – trusted communications – are already deliveries, identity services, payments and central to our business. Our combination of Australia Post andStarTrack creates a competitive advantage no one can match.

TRUSTED FOR OVER 200 YEARS

Every day, we reach more Australians than any other company – **reaching 11.4 million delivery points and helping over one million customers across our post office network.**

We've always been proud of the connection we provide for Australia's country towns and remote communities. **Now we can connect them to every corner of the globe.**

Australia Post, through our extensive network, will deliver safe and easy online shopping and trusted services for consumers, help small businesses go and grow online, as well as partner with businesses and governments as they undertake their own digital transformation.

HELPING OUR PEOPLE, CUSTOMERS AND COMMUNITIES DELIVER A BETTER FUTURE EVERYONE, EVERY WHERE, EVERYDAY

StarTrack is partnering with businesses to provide leading eCommerce solutions.

OUR CUSTOMERS

All of our customers need a safe, easy and personal experience.

Start-ups in kitchens and garages are looking for confident and innovative ways to grow.

Large businesses are looking for innovative payment and delivery services.

Governments are moving public services online.

Our friends and family are living, learning and working in a digital world.

We have a role to play in helping all of these customers by delivering eCommerce to everyone, everywhere, every day.

MyPOST

We need help moving our services online

I want to feel confident shopping on my phone

I need online payment solutions for my home business

Our customers want same-day delivery

WE ❤ DELIVERING

I'll keep delivering Australia's mail – it's still an important service for our communities

I'll challenge my team to put customer needs first when we're planning new projects and activities

I'll help businesses impress their online customers with fast and reliable delivery

I'll help local small business owners to get set up online through our in-store services

I'll build online identity services so businesses and governments can provide safe transactions for their customers

ALWAYS OPEN

HOW WE'LL DELIVER

Our business is uniquely placed to deliver eCommerce solutions to our customers. Future Ready has prepared us to create a seamless customer experience both online and in person.

WE ARE READY. We can be proud of the changes we've made and we can be confident to create this future together.

What we deliver will keep changing as customer needs keep evolving, but we will stay true to our purpose – helping our people, customers and communities deliver a better future.

OUR PEOPLE ARE THE HEART OF OUR BUSINESS

It's our people who will deliver an eCommerce future and keep our brand promise. It's our people who love delivering. **Our shared values describe us when we are at our best, and we can all make a difference by:**

BEING SAFE EVERYWHERE
There's nothing more important than our safety, health and wellbeing

RESPECTING EVERYONE
We care about people and value diversity

HELPING EACH OTHER
We're at our best when we work together

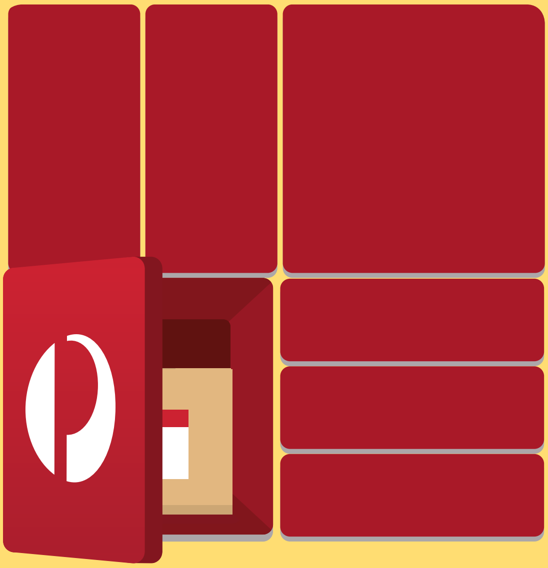
IMPROVING EVERYDAY
A better tomorrow starts with the changes we make today

DELIGHTING OUR CUSTOMERS
A great customer experience creates a better future

It's about doing what our customers need in new ways – whether it's over the counter, through a device, on the phone or at the door, in Australia or overseas.

LET'S START A CONVERSATION...

We're all part of this story. How will you help to deliver our eCommerce future?



Financial performance

This year has been an important and transitional one for the Australia Post Group that saw us focus on winning Government support for the reform of our letters business, while continuing to align our overall strategy to be a leader in eCommerce.

While our parcels business continues to generate solid revenue growth, this has been offset by an acceleration in letter volume decline resulting from the impact digitisation has had on customer interactions and behaviour.

Performance

This year the Group's loss after tax was $221.7 million, our first loss since corporatisation in 1989. This loss included $190.0 million of pre-tax costs relating to the transformational reform of our letters business program.

This reform program will allow the network to improve sequencing of mail, automation, handling, and postal delivery efficiency – while continuing to maintain a five-day-a-week delivery and harnessing the full value of our reserved letters service.

The growth in the internet, the digitisation of technology platforms, and the proliferation of mobile devices have profoundly changed the way consumers, businesses and governments operate. This has impacted both our traditional mail services, and retail and agency services businesses through the continued fall in letter volumes. However, this decrease has been partly offset by the full-year benefit of the Basic Postage Rate increase in March 2014 and the focus on expanding products and services offered through our post offices and digital channels.

Our parcels business has continued to perform strongly with revenue growing year on year, despite a highly competitive market where we have seen domestic freight providers building capacity and international competitors acquiring sorting and last-mile delivery capabilities in Australia.

The financial performance of the Group has also been affected by asset write-offs and impairments of $214.1 million following a comprehensive review of the carrying value of the assets.

Despite the challenges, and funding requirements to restructure, integrate and invest in our business, our strong focus on cash management has resulted in a similar closing cash position to last year.

As a result of our Group loss, no dividend will be declared to our shareholder.

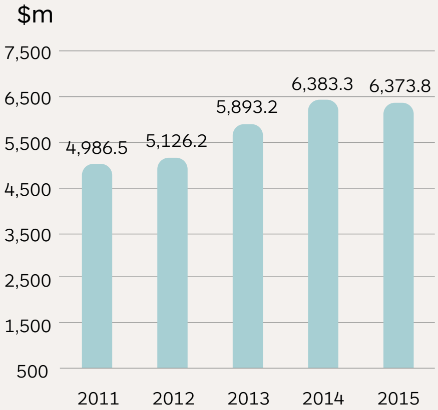
Investment

Our total cash investment this year across strategic projects and asset replacement and acquisition was $349.9 million.

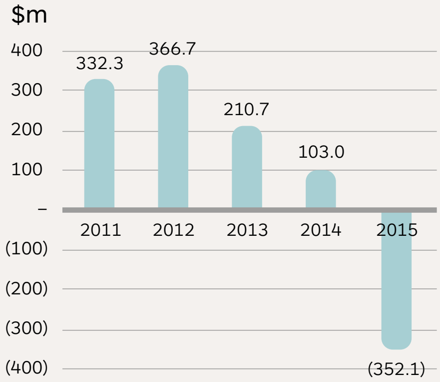
The strategic investment has focused on expanding our parcel facilities in Melbourne and Sydney, doubling the processing capacity at those facilities, as well as driving enhancements in our parcel processing and delivery capabilities to continue building a world-class network. A significant investment has also focused on the integration of StarTrack and Australia Post networks to extend product and service offerings across all our customers.

We also continue to invest in the reform of our letters service program to replace our existing ageing equipment with new small letters and flat sorting machines to optimise our business and deliver efficiencies into our letters network.

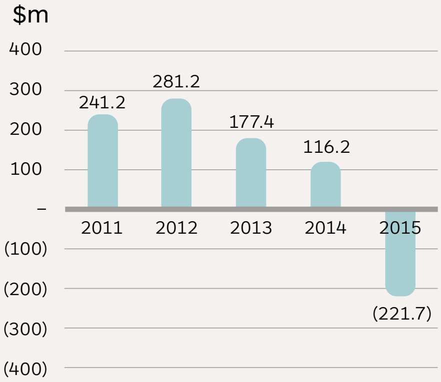
Revenue



Profit/(loss) before tax



Profit/(loss) after tax



Segment performance

Our parcel services business is again the key driver of growth, delivering year on year revenue uplift of $112.8 million, or 3.6 per cent. Underpinning this result was an improved online retail market, organic growth from our current customers and new customer wins leading to business and eCommerce-driven volume growth of 4.1 per cent. This growth has been achieved despite the significant and intensified competition from both local and global players.

The continuing take-up of digital technology and the changing needs, behaviours and expectations of our customers continue to impact our mail services business, resulting in a 1.7 per cent decline in revenue. This decline is mainly due to 7.3 per cent fewer articles sent this year in Addressed Letters, and in particular a 10.3 per cent decrease in Ordinary Letters. This is partly offset by the full-year benefit of the Basic Postage Rate increase in March 2014 and state elections in Victoria, New South Wales and Queensland.

Performance in our retail and agency services business remains flat, with a slight revenue decline of 0.9 per cent. We have seen positive results from a 17.7 per cent year-on-year increase within the growing products within this portfolio, particularly financial and identity services, offsetting the revenue declines in our traditional products.

Five-year trends

	2011	2012	2013	2014	2015
Revenue ($m)	4,986.5	5,126.2	5,893.2	6,383.3	6,373.8
Profit / (loss) before Tax ($m)(2)	332.3	366.7	210.7	103.0	(352.1)
Profit / (loss) after Tax ($m)(2)	241.2	281.2	177.4	116.2	(221.7)
Profit/ (loss) from reserved services(2) ($m)	(66.5)	(114.4)	(198.0)	(242.6)	(283.4)
Return on equity (%)(1)(2)	15.0	16.8	10.5	6.7	(14.9)
Return on average operating assets (%)(2)	10.9	11.5	6.2	3.4	(8.2)
Debt to debt plus equity	23.6	29.1	27.3	28.8	27.2
Dividends declared ($m)	173.2	213.7	192.7	78.8	–
Interest cover (times)(2)	10.9	10.8	7.7	3.6	(10.2)
Reserved services letter volumes (m)	3,738.8	3,545.3	3,305.7	3,173.5	2,942.5

(1) Return on equity is calculated as profit / (loss) after tax as a percentage of equity. Equity has been adjusted to remove the impact of the Group's net superannuation liability / asset.

(2) Changes to AASB 119 Employee Benefits took effect on 1 July 2013. Year 2013 has been restated for like for like comparison. Years prior to 2013 have not been adjusted to reflect the changes as a result of this change in accounting standard.

Outlook

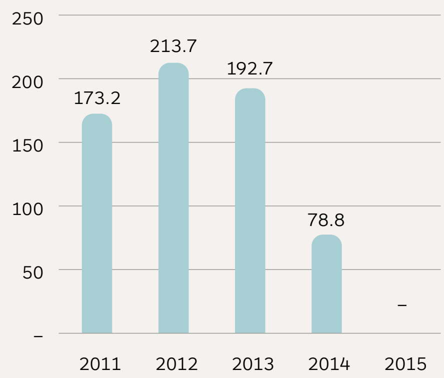
Australia Post will need to adapt to the changing needs of consumers, businesses and government as we embrace the evolution of the digital economy. At the same time, we will continue to manage the challenges brought by the structural decline in letter volumes and customer visitations, as well as the increasingly competitive parcel segment.

With the Government's support for reform of our letters business, our focus will be on implementing the transformation to our letters services to meet changing customer needs and create a more efficient network.

While our Parcel Service business is expected to continue to deliver revenue and volume growth, domestic and international competitors are changing the competitive landscape within the parcels segment. Our focus will be to drive cost and service leadership to ensure we maintain and grow our market share across business-to-consumer and business-to-business deliveries; providing more choice and convenience to make it easier for businesses and consumers to buy, sell and deliver.

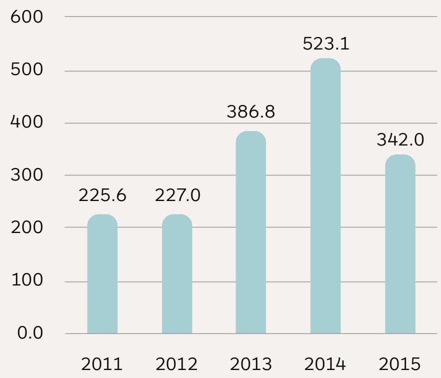
Dividends declared

$m



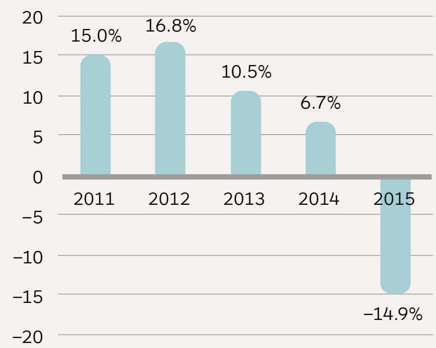
Capital expenditure (cash)

$m



Shareholder return on equity

%



Engaging our stakeholders

Australia Post's stakeholder groups include our workforce, our customers and the broader community as well as regulators, industry and environment groups, peak bodies, and the media.

We understand how important it is that we continue to keep our customers and communities engaged and informed around the decisions we make in our business.

We know that our future success will largely depend on the support of our key stakeholders and we place a high premium on engaging them in the important decisions that shape our future.

Letters reform

This year, our primary focus has centred on a program of events to increase community awareness and understanding of the urgent need to reform our letters business.

In 2014, we launched our Community Engagement program that enabled us to consult with key groups around the need for reform and understand their views as we moved towards a new pricing and services structure.

Highlights for the year included 197 community events held in 166 locations, with more than 3,180 participants.

National Conversation platform

In June 2014, we launched the National Conversation, our online platform providing the Australian community with an ongoing voice in what the future of Australia Post should look like.

As at 30 June 2015, more than 132,000 Australians had visited this online platform, making 5,510 contributions to the conversation, and giving us important insights into the community's understanding and acceptance of our business and the need for change.

Our Stakeholder Council

One of the key elements of stakeholder engagement is our Stakeholder Council, an external advisory group of nine individuals whose role is to help us improve our communication and engagement with stakeholders.

The council meets three times a year and is chaired by an Australia Post Board member. Council members offer a range of views, representative of their roles and experience in small and medium business, industrial relations, direct marketing and corporate responsibility.

Council members are:

John Bergin, Former Managing Director, Yakka Australia

Sommers Botha, Former General Manager, Retail Scholastic Australia

Helen Christie, Former State President, Country Women's Association of Victoria

Graz van Egmond, Executive Director, Banksia Environment Foundation

George Etrelezis, Small Business Consultant

Allan Garcia, Chief Executive Officer, Local Government Association Tasmania (retired from the Stakeholder Council on 20 March 2015)

Dennis Jenner, Director, Post Office Agents Association Limited

Gabrielle Nagle, Child & Family Services consultant

Cameron Thiele, formerly of the Communications, Electrical and Plumbing Union

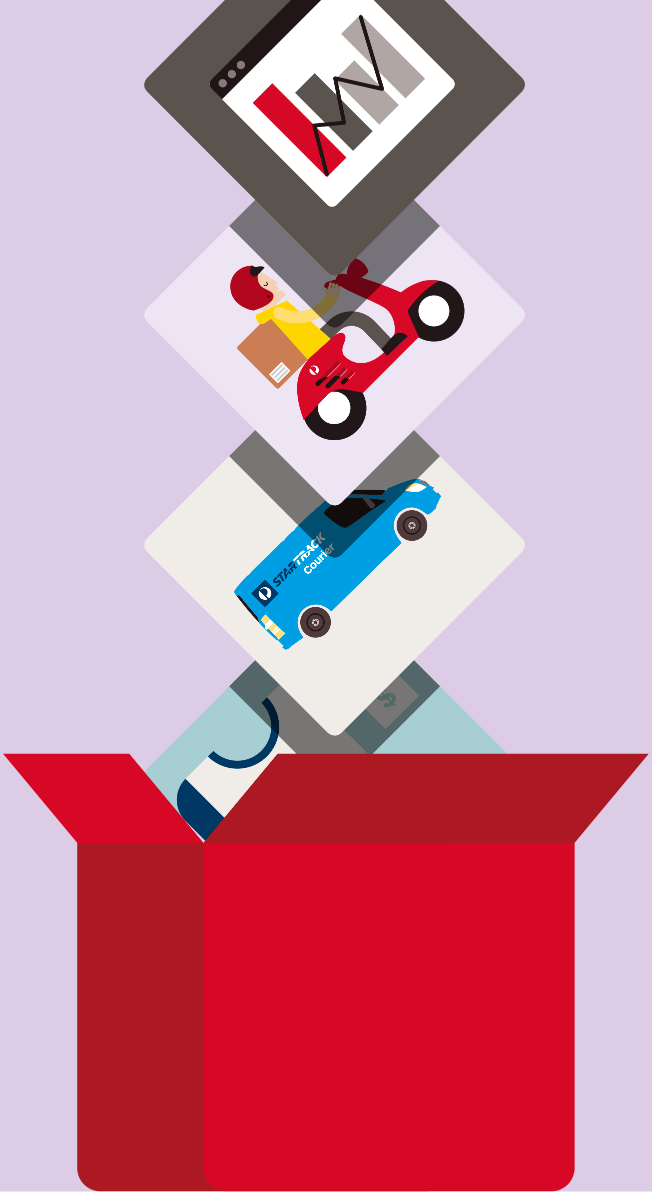
Rob Tolmie, Managing Director, R&C Consulting Pty Ltd

Stakeholder Council statement

For several years the Stakeholder Council has had the opportunity to guide and review Australia Post's approach to best-practice integrated annual and corporate responsibility (CR) reporting. In reviewing the corporation's fifth integrated annual report this year, we believe that Australia Post has continued to advance its commitment to CR and sustainability. In fact, we commend the efforts to evolve the coverage of the corporation's material issues and further integrate its social and environmental performance in the 2015 report. This highlights Australia Post's strategic approach to a whole-of-business and supply-chain focus on delivering improved social and environmental outcomes for the Australian community. The Council believes that this report again provides a transparent representation and clearly integrated material in relation to Australia Post's performance that is accessible to all stakeholders.

Australia Post Stakeholder Council
August 2015

Delivering eCommerce



Delivering a better future

Digital technology has fundamentally altered the way business and government operate and how people interact – demanding more privacy, convenience, security and control.

Our customers are more sophisticated and empowered than ever before – enjoying around-the-clock access to information, services and marketplaces that were previously unimagined or out of reach.

As a result, they now seek solutions that deliver choice, control and convenience in how, when and where they access our services.

That's why Australia Post is changing.

Reforming the letters service

The reform of our letters business will allow us to invest our resources in our domestic and international eCommerce capability, creating a new future for our post offices.

In March 2015, the Australian Government announced its support for the regulatory reform of our letters service. This decision was a welcome one, acknowledging that customer behaviour and community expectations have changed significantly since the pre-digital era.

Under the planned reforms, consumers will have the choice of:

- a priority service, delivered according to the existing timetable; or
- a regular service for non-urgent mail to be delivered two business days slower than priority.

Currently, Australia's basic stamp price is the lowest of any country in the Organisation for Economic Cooperation and Development (OECD). Current pricing does not reflect the true cost of delivering a letter and this must change if Australia Post is to maintain the nationwide reach of our networks and services without government assistance.

While reform is positive and necessary, we also recognise that many members of the Australian community, including the vulnerable and isolated, continue to rely on our mail service. As such, the concession stamp will continue to be offered to eligible Australians at 60 cents for a small letter and the seasonal greeting rate will continue to be offered to all Australians at 65 cents for a small letter.

These changes are critical to enabling future investment in building our capability as a leading eCommerce business, while also preserving our letters service and meeting our Community Service Obligations (CSOs) – just as we have always done.

Reform is not about leaving behind that heritage of delivering; instead it celebrates and reimagines it for the future benefit of our people, our customers and the community.

Building a better future

Achieving these reforms will help us build the robust business we need to provide our people with security and satisfaction. It will also provide opportunity for our employees to experience new career paths, supported by training and mentoring services, as the business transforms.

We are igniting a culture of innovation in the organisation, with a renewed focus on delivering customer experiences and solutions. As a result, our customers will enjoy a service better suited to their contemporary need for greater choice and convenience.

They will enjoy access to local and international markets where they can buy or sell goods, and have unparalleled choice about where and when those goods will be delivered.

And through the preservation of our post office network, particularly in rural and regional areas, communities throughout Australia will continue to benefit from our presence in their towns.

Creating a more efficient network

The community's use of letters has been in steep decline since 2008, resulting in a cumulative business loss of $1.3 billion over that time. Without reform, it's estimated that losses in the letters business over the next decade would amount to an estimated $12 billion*.

Over the past five years we've worked hard to minimise and mitigate these losses by optimising the efficiency of our letter delivery network.

Two years ago, we equipped our Posties with hand-held parcel scanners to allow them to deliver small parcels for the first time. At that time, our Posties delivered virtually no parcels; today they deliver around a third of our total parcel volumes. That innovation has kept their pannier bags full and helped underwrite our commitment to keep them delivering five days a week, even as letter volumes continue to decline.

This year, we continued to look for innovative solutions to improve the efficiencies in our mail delivery network and we analysed a range of factors – including workforce profiles, delivery routes and transport used – to determine the optimal delivery design for over 120 individual sites.

We also worked to improve operational efficiency by encouraging employees and management to collaborate to identify smarter ways of working, resulting in the establishment of a range of new initiatives which will deliver cost efficiencies over the next year.

These operational changes have resulted in more efficient networks and significant savings for our letters business, while also prioritising the safety of our people.

While the financial benefits resulting from these changes are important, the efficiency they have delivered is critical to our ongoing ability to deliver the mail on time for the benefit of our customers. This year, we exceeded our Community Service Obligations once again, achieving 94.8 per cent of letters delivered on time against our target of 94 per cent. At the same time we continued to reduce the injury rate in our workplaces.

* https://www.communications.gov.au/sites/g/files/net301/f/BCG_Postal_Services_Background_Report.pdf

Looking to the future

Pending acceptance of the new regulations passing through Parliament, we expect to introduce these pricing and service changes in January 2016.

We will continue to engage with business and government stakeholders, unions and community leaders, and the general public as these changes to our letters service progress.

Reform is a positive step forward for both our customers and our business. It will allow us to continue providing the essential services that the Australian community values, while also enabling us to invest in the growth of our eCommerce capabilities to create prosperity for our people, our customers and our communities.

Delivering a better future for everyone, everywhere, everyday.

Investing to become an eCommerce leader

Throughout our history, Australia Post has helped consumers, business and government navigate the social revolutions that have transformed our country.

Today, Australians are embracing the digital revolution and Australia Post is continuing this tradition of responding to community expectations by helping people and businesses get online to shop, pay and deliver – whenever and wherever they choose.

We have always facilitated commerce in Australia and our new strategy of delivering eCommerce to everyone, everywhere, everyday is the natural evolution of that role in the digital era.

As a consequence, we've invested more than $2 billion over the past five years to build on our existing capability and create new services to ignite the growth of our eCommerce business.

We've brought together Australia Post and StarTrack to develop an unrivalled suite of eCommerce-driven payment, logistics, supply chain and parcel delivery solutions.

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Our priorities

As a leading eCommerce business, we will continue to grow through the pursuit of three key priorities.

First, we must continue to focus on winning in our current business through protecting the investment in our postal and parcels capabilities, while harnessing the full potential of our letters service.

We will also work to transform the post office into a destination that will provide eCommerce services to consumers and small business customers, regardless of where they live.

Second, we will instil a culture of innovation to power a new suite of leading eCommerce solutions, making it safe and easy for consumers to shop online while also creating opportunities for businesses to go online and grow.

At the same time, we will continue to extend our trusted services portfolio to support the digital transformation of Australia's government and corporate sectors.

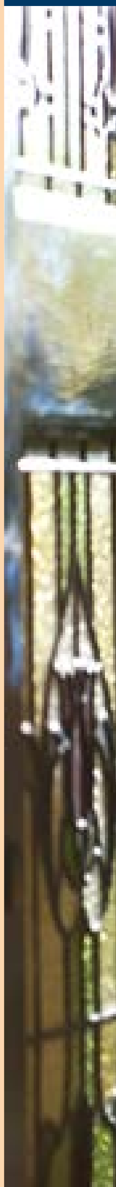
Finally, we will continue to invest in growing our domestic and international eCommerce capability by creating a low-cost, high-quality parcel delivery model, as well as extending our supply chain solutions.

Adapting to change

For more than 200 years we have been continually expanding and reinventing our services. We've kept pace with society as it has evolved and, in the future, we will continue adapting to ensure we keep delivering for our customers.

We are now claiming our position as a leading eCommerce company – one that facilitates online commerce and communications for our customers and communities, to deliver the opportunities of a digital economy to every Australian.

It's the natural evolution of our purpose to deliver a better future for our people, our customers and the Australian community.



Building our parcels business

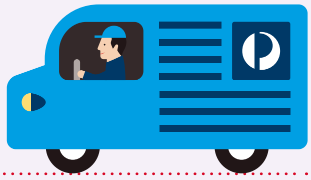
With the rise of mobile devices, consumers can now shop anywhere and any time with relative ease. Around 75 per cent of the parcels we deliver today are generated by an online order.

But while online shopping has previously driven year-on-year growth in our parcels business, we believe our biggest growth opportunity lies in using our domestic strength and capabilities to expand beyond Australia.

As a result, we are working to create innovative partnerships with international postal organisations, eCommerce marketplaces and global businesses to pursue new growth opportunities in both domestic and overseas markets.

We support Australian businesses to take full advantage of these opportunities and, as Australia's largest retail and parcel delivery network, we offer an unmatched competitive advantage.

Delivering for our customers remains at the core of what we do. We believe that by powering eCommerce for Australian businesses – and *their* customers – we will create prosperity for our people, our customers and the community.



People's Choice Award

The StarTrack Online Retail Industry Awards (ORIAS) celebrate Australia's most innovative online retailers. StarTrack became the exclusive naming partner to the awards in June 2014, reflecting our commitment to powering Australia's eCommerce industry.

This year, we sponsored a new category, the People's Choice Award, and invited consumers to vote for their favourite online store, with Naked Wines named the inaugural winner at this year's StarTrack ORIAs Awards night.

Naked Wines' customers fund independent winemakers in return for exclusive wines at wholesale prices. Counting Australia Post and StarTrack among its delivery providers, Naked Wines sends wines from 24 winemakers to anywhere in the country.

Other finalists were PC Case Gear, Beserk, Catch of the Day, Ozsale and Store DJ.

Bob Black, Executive General Manager Parcel Services

People's Choice Award winner, Naked Wines, with Greg Sutherland, Executive General Manager Consumer and Small Business

Two brands – one business

Our StarTrack brand represents the supply chain and delivery services business Australia Post has created to meet the demands of an eCommerce world.

The StarTrack logo proudly keeps our strong connection to the Australia Post Group, featuring the familiar Australia Post "P" now in dark blue – ensuring our heritage remains a core part of who we are and what we do – alongside the StarTrack name.

It combines the trust, reach and convenience that Australia Post is known for, with the strength in premium business-to-business logistics associated with StarTrack.

Over the last year, we have continued to brand our transport and delivery fleet, as well as several key properties, with the StarTrack identity and we plan to roll out a new co-branded uniform next year.

The Australia Post brand continues to represent parcel and eCommerce services for consumers, small businesses and communities, while our StarTrack brand delivers parcel services logistics and end-to-end supply chain solutions for businesses, locally and internationally.

Together, the two brands deliver eCommerce to everyone, everywhere, everyday.

AUSTRALIA POST   STARTRACK

Together the two brands deliver eCommerce to everyone, everywhere, everyday.

Investing for growth

As parcel volumes continue to grow, we are building a world-class network with high standards of service, efficiency and performance.

Thanks to recent investments in our processing systems, we are now equipped to deliver more parcels than ever before. In November 2014, we opened our expanded Sydney and Melbourne parcel facilities, which now feature state of the art parcels handling and sorting equipment – improvements that have doubled the processing capacity of these parcel facilities.

The final phase of this expansion is due to be completed ahead of Christmas 2015.

Making it easier to buy, sell and deliver online

Australia Post is working every day to make it easier for Australian consumers to shop online.

We are supporting eCommerce businesses to differentiate themselves at the checkout by offering their customers more choice and control over how they receive their purchases. This year, initiatives included the continued roll out of our 24/7 Parcel Lockers network, and the introduction of extended post office trading hours and Saturday deliveries.

In October 2014, we established a partnership with NetSuite to create an integrated eCommerce solution for their customer community, providing direct access to Australia Post's shipping and tracking services from the NetSuite platform. This partnership is providing an improved parcel delivery and collection experience for NetSuite's customers, including access to parcel lockers and parcel collect services.

Through our popular "Business 250 membership" we continued to provide discounts to small businesses that are sending more than 250 parcels per year via "Click and Send" or our "Parcel Send" app.

Delivery choice and convenience

We are always looking for ways to improve our parcel delivery services and timeframes. As a result, in November 2014, we launched a new MyPost Deliveries Account that provides customers with more choice and control over when and where they receive their parcels. The MyPost service gives consumers the ability to track, reschedule or redirect their parcel deliveries from a secure, identity-verified portal.

In November we also launched our Last Mile Notifications service. This involves sending an email or SMS notification to the parcel recipient when they are not home to receive their parcel.

Since the launch approximately 3.5 million customers have received an electronic notification in addition to a physical card. As a result, the average time it takes customers to collect their parcels has reduced significantly.

This year's Net Promoter Score*, which gauges consumer sentiment for Australia Post products, identified "timeliness of delivery" for parcels as the main driver of satisfaction among respondents (see page 38).

Last year, the main driver was identified as "effort made for first-time delivery" and the change reflects the efforts we have made to improve our delivery services. It's just one of the ways we are working to deliver experiences that delight our customers.

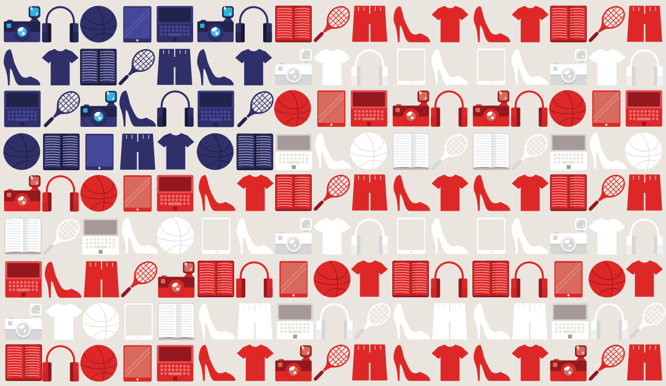
* Independent survey conducted by QOR survey, June 2015.

Go and Grow Online

StarTrack continued to host a series of business breakfast events in 2014–15 to provide customers with the latest information on eCommerce trends and ideas to shape their business.

In March and April 2015, we hosted two expert panel discussions to help emerging businesses fast-track their growth at the "Go and Grow Online" breakfasts in Melbourne and Sydney. We welcomed more than 190 small-to-medium business owners to these events where our guest panellists shared their expertise in social media, customer experience and building authentic, purpose-led brands.

From Left: Rebecca Burrows, Catherine Graham, Catherine van der Meulen, Julie Stevanja, Ben Franzi.



Shop like you live in the USA

In October 2014, we launched ShopMate, a convenient and secure international delivery and payment service for Australian online shoppers, enabling them to buy from US retailers who do not ship to Australia.

It's part of our commitment to provide customers with trusted delivery services and secure online payment options for shipping, no matter where they purchase their items from.

For more information visit www.shopmate.auspost.com.au

Establishing new markets

The combination of our retail and delivery networks, as well as our reputation as a trusted brand, makes Australia Post an ideal partner for small businesses looking to reach a larger market. With that in mind, we have established two marketplaces for small Australian businesses to sell and deliver their products directly to a national audience.

Farmhouse Direct (FHD) was launched in 2013 and now enables over 350 primary producers to sell their products directly to consumers across the country.

We launched Good Spender in the second half of 2014 and the site now supports 48 social enterprises selling goods and services online. The marketplace was established in partnership with Social Traders, an Our Neighbourhood National Community Partner. The profits generated by Good Spender help to create jobs for marginalised or disadvantaged groups, provide services to communities in need, and support charities and not-for-profit groups.

Building an Asian gateway

Our strategy for future growth as an eCommerce business will focus on the burgeoning Asian market. In China alone, it's anticipated that more than 130 million additional people will come online over the next year.

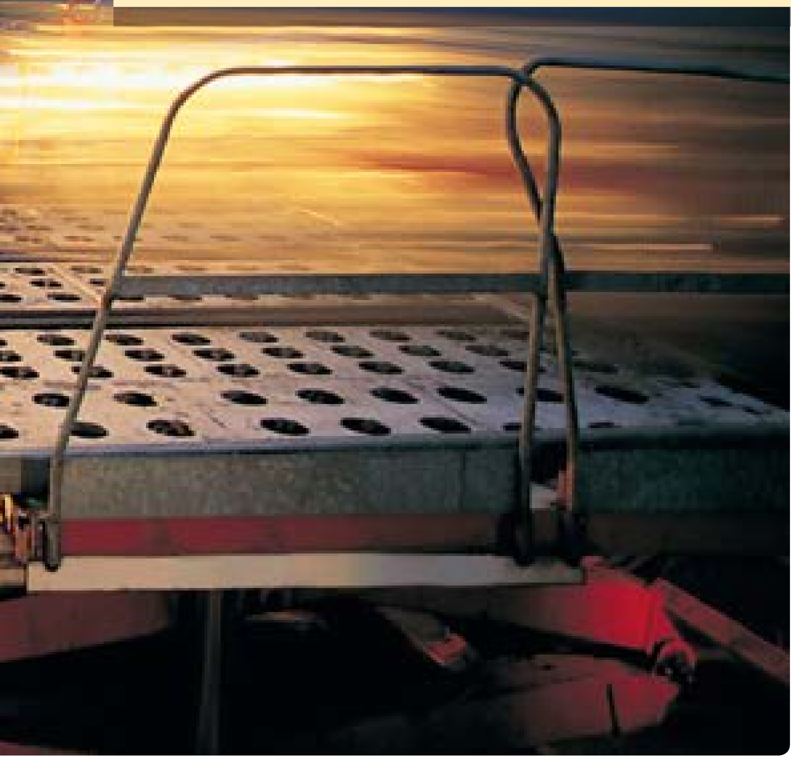
With this in mind, we have worked to build strategic partnerships with leading Chinese eCommerce companies in order to support the growing trade between our two nations and provide Australian retailers with a direct route to this market.

As a result of our existing agreement with Alibaba, we now have an Australia Post-branded virtual storefront on the Alibaba-owned Tmall, providing Australian merchants with a virtual storefront (auspost.tmall.hk) reaching more than 300 million* registered Chinese consumers. We also provide translation and logistics services to help fulfil their orders.

Our post offices are also enabling Australia-based consumers to purchase goods through Alibaba's Chinese merchants using the AliPay Vouchers available in-store at our post offices.

In June 2015, we signed an agreement with JD.com, China's second largest online retailer, to establish a flagship online store showcasing Australian products to more than 500 million registered consumers on the JD Worldwide website.

* China Internet Network Information Centre, Statistical Report on Internet Development in China, July 2014



Delivering international supply chain solutions

In addition to building our domestic parcels distribution network and opening up new marketplaces for Australian businesses to sell their goods, we have been investing in partnerships that strengthen our warehousing and international freight-forwarding capabilities in the Chinese market.

Our joint venture with China Post (Sai Cheng Logistics) now comprises warehouses in six Chinese cities, together with offices in Beijing and Guangzhou, and provides inbound and outbound supply chain solutions for merchants accessing the Chinese market.

As a result, we are now able to provide leading international supply chain services to the growing number of Australian businesses pursuing opportunities in China.

We will continue to cement our capabilities in cross-border logistics and pursue international acquisitions and partnering opportunities to help our customers do business internationally.

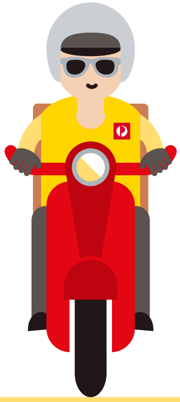
In the lead-up to Christmas 2014, we established a partnership between Farmhouse Direct and Good Spender to cross-promote vendors on both sites and encourage the community to support local primary producers and social enterprises. The campaign pushed more than 114,000 visitors to Farmhouse Direct and close to 27,000 visitors to the Good Spender marketplace.

Recycled postie bikes to community groups

In June 2015, Australia Post's Mail Network donated 110 decommissioned electric pushbikes for the use of disadvantaged members of the community.

The Asylum Seeker Resource Centre in Melbourne received 40 bikes, while the remaining 70 bikes were shared between the Springvale Community Aid and Advice Bureau in Dandenong, Victoria (40 bikes), The Romero Centre in Dutton Park, Queensland (15 bikes) and Bikes for Refugees SA Inc. in Campbelltown, South Australia (15 bikes).

The network funded and coordinated the refurbishment program to ensure that the bikes were in safe condition with new brakes and tyres, while the Royal Automobile Club of Victoria generously donated 110 helmets.



Transforming the post office

Just as we have invested in growing our parcels business, we have also focused on reinvigorating the post office to position it for a strong future. Our unrivalled retail network and the last-mile advantage of our 11.4 million delivery points give us a unique strategic advantage.

We make it easy for customers everywhere to lodge or collect their mail at a time and place convenient to them. This network also provides our business customers with an advantage when handling returns and managing reverse logistics solutions in today's eCommerce marketplace.

Recognising that today's customers expect greater flexibility and choice, this year we introduced permanent Saturday deliveries for Express Post parcels and extended post office opening hours to six days a week in many locations.

Since 2010, we have also invested in creating personalised digital solutions that allow a seamless experience, both in-store and online, to deliver greater convenience for our customers.

Consumers can now go online to pay their bills or order foreign currency online, access identity verification services like tax file number applications, or simply manage where and when their parcels are collected.

Maintaining the strength of our network

Australia Post maintains an unrivalled post office and delivery network. Our 4,406 post offices (of which 2,554 are located in rural and regional areas) provide our customers – regardless of where they live – with essential products and services to help them shop, bank, pay bills and connect.

Our 15,591 street posting boxes put mailing a letter to any of our 11.4 million delivery points within easy reach of most Australians.

Like the community we serve, Australia Post values the strength of our network and the trust that Australians place in us to deliver. That's why, despite the challenges facing our letters business, we continually strive to meet the targets set by our Community Service Obligations.

This year, we were proud to once again exceed these expectations: making deliveries to 98.8 per cent of addresses five days a week (against a target of 98.0 per cent), with 94.8 per cent of letters arriving on time (against a target of 94.0 per cent).

While working to maintain our traditional services, we have also been investing in new in-store experiences that reflect the changing needs of contemporary consumers and business customers.

Our superstores offer customers greater access, choice and convenience with 24-hour zones, parcel lockers, self-service terminals, vending machines, extended identity services and travel services.

We opened 11 superstores this year, taking the total to 59, of which 16 are located in regional locations (with a target of opening 50 regional superstores by 2020).

We also launched the first of three scheduled open-plan stores this year. These feature separated counters and additional self-service terminals, giving customers more freedom to choose the service that suits them best.

Listening to our customers

Our Retail Customer Experience Program (Retail CX) provides valuable bi-monthly feedback that helps us continually improve the services we provide.

Run across 3,164 corporate and licensed post offices, Retail CX is a simple and effective way for customers to provide feedback on their in-store experience. This year, overall customer satisfaction was 9.28 out of 10 (up from 9.14 last year and 9.06 in 2013).

Managing life's important jobs

In recent years we have digitised many of our traditional post office services to create a suite of trusted online services that allow customers to securely interact with us anywhere and anytime, in order to easily manage their deliveries, payments and government transactions.

MyPost Digital Mailbox (the digital mailbox) allows customers to pay bills, set reminders, and receive and store important communications electronically.

This year, the digital mailbox successfully integrated Westpac (the first bank to join the digital mailbox) and signed a range of top-tier providers including Sunsuper, Mirvac and TasWater.

Active usage of the digital mailbox has grown rapidly this year, largely due to the addition of new features that enable customers to receive digital receipts for post office transactions and manage their post office box online using Mail2Day notifications.

We also extended the functionality and convenience of the digital mailbox this year by expanding our payment options to allow customers to pay bills with their bank account, using either our basic "Pay with Bank Account" feature or the newly integrated "POLi" product that processes payments in real time.

In November, we partnered with UnionPay International and the Bank of China to create our UnionPay Load&Go Multi-Currency Prepaid Travel Card.

The Load&Go China Travel Card now enables customers to withdraw cash or make secure payments in China and around the globe, in person or online, wherever UnionPay cards are accepted.

MyPost Digital Mailbox (the digital mailbox) allows customers to pay bills, set reminders, and receive and store important communications electronically.

Supporting our Licensed Post Offices

Our Licensed Post Offices (LPOs) perform a critical role in delivering our services – and maintaining a strong rural and regional network. Over the past two years, we have pledged $125 million in annualised additional payments to support the sustainability of our LPOs and Community Postal Agencies (CPAs).

The changes include a new Small Post Office Support Plan to increase the minimum annual payment to nearly 1,000 smaller post offices; and the doubling of the street-carded parcel rate, which will benefit more than 1,800 LPOs.

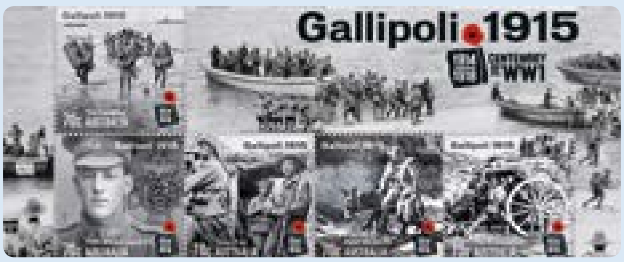
This year, we also installed electronic point-of-sale facilities in 386 LPOs that were previously not connected to our electronic network. These LPOs, which are mostly located in rural areas, now have the capabilities required to offer a broader range of trusted services to their local community.

We also committed to opening 50 superstores in rural and regional areas, and have worked to source a range of merchandising and in-store deals to help diversify revenue streams and reinvigorate foot-traffic in our rural and regional stores.

Stamps

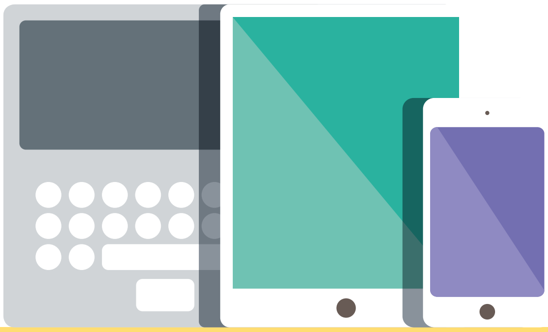
Our philatelic team continued to produce popular and timely stamp releases to mark key historic milestones and, this year, we marked the Centenary of Gallipoli and commemorated Australia's Victoria Cross recipients with separate releases.

We also launched a number of collections reflecting themes in popular culture, as well as releases celebrating the Australian landscape, and our native flora and fauna.



Embracing technology and innovation

As society transforms, our customers have become increasingly sophisticated and now demand solutions that are tailored to their lifestyle.



Building on the strong foundations of our trusted network, we have invested in developing an unrivalled suite of digital services to become a leading eCommerce business.

With a deep understanding of what today's customer needs, we can now deliver secure, identity-verified, digital communications, as well as eCommerce initiatives and other online services that work in partnership with our physical network.

We've invested in building an outstanding depth and breadth of digital capability over a short period of time and MyPost is just one example of the ways we're making it easier for businesses and their customers to connect online in a secure way.

The establishment of MyPost means that our customers' ability to manage their deliveries and mail redirection, pay their bills, or receive and store important communications is now only as far away as their mobile device.

As a result, MyPost is helping us build deeper relationships with our customers and, in the future, our online identity verification services will allow them to automatically apply for a range of business and government services.

In 2015, we exceeded our target of two million registered customers across our MyPost platform – the combination of MyPost Concession, Deliveries and Digital Mailbox services.

Customers embrace our digital channels

Our digital offerings continue to grow in popularity with our customers and we are working to extend and refine these services. For example, we plan to introduce a seamless sign-in for our MyPost platform in the coming year, allowing users to use the same login across all services.

We will also build a new platform to support the Post Office Box business and allow customers to search, renew and lease boxes online.

Overall, our digital channels, including our websites, apps and mobile sites, continued to grow in 2014/15. Customer visits across our combined digital channels were 144.7 million, an increase of 30 per cent since last year.

The use of self-service tools, such as bill payments and parcel tracking, grew 51 per cent this year.

There was an 8 per cent increase in visits to auspost.com.au this year.

Mobile services

Mobile visits increased by 67 per cent this year alone and now account for nearly half of all customer visits to our digital channels.

We offer apps on iOS and Android, including MyPost Digital Mailbox, Australia Post Mobile, Parcel Send and our Parcel App, which is also available on iWatch (see next page). In 2014/15, our mobile app downloads increased by 20.6 per cent to top 1.5 million.

Smartwatch App

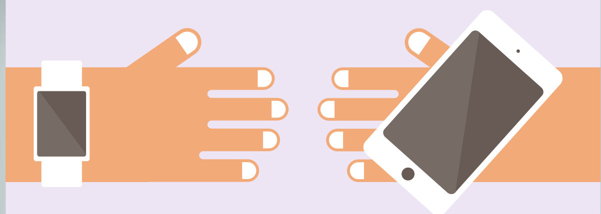
In April 2015, Australia Post was one of the first Australian companies to launch an app for the Apple iWatch, providing an innovative way for online shoppers to receive delivery status alerts and collect their parcels.

The app, which is now also available on Android, was developed during one of our regular "Hack Dayz", where staff members brainstorm new concepts and ideas for products and services. This approach enabled us to develop and launch the app in a matter of weeks.

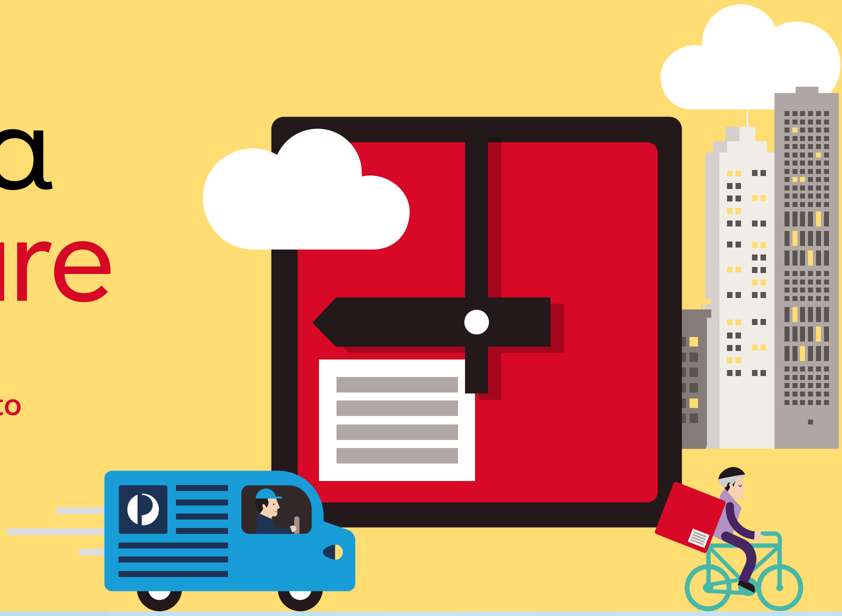
It's part of the cultural change we are investing in to encourage smaller, more agile teams that can accelerate our go-to-market capability in line with the rapid pace of change we are seeing in society.

With a touch of their smartwatch, shoppers can now track their parcels and view delivery information – they can even open parcel lockers by scanning their watch.

The app syncs back to the customer's MyPost account, offering convenient and secure parcel collection options from any one of more than 3,600 parcel collect locations and over 200 parcel locker locations.



Delivering a better future



Australia Post takes its responsibility to manage the social and environmental impacts of our business operations seriously.

As a consequence, our decision making has always prioritised balancing our commercial returns with our customer service, community interests and our environmental performance.

We believe that our role as a leading eCommerce provider will not only benefit our business, but also help power the nation's economy, create prosperity and contribute to a more inclusive future for all Australians.

This drive to deliver a better future for our customers, our people and our community has always been at the heart of what we do and it will remain our priority.

Delivering a better future… for our people

Our people are our most powerful advocates and our most valuable assets.

We believe that delivering a better future for our employees means creating a workplace that offers security, safety and inclusivity.

Establishing ourselves as a leading eCommerce business is the most effective way for us to secure that future through the creation of a thriving, sustainable enterprise.

Engaging our people

In May 2015, we conducted a say2action pulse survey that showed employee engagement was 60 per cent, up from 56 per cent last year, which we believe demonstrates that our people share our optimism about the future of the business.

In the survey, our enterprise safety culture score rose 5 per cent to 81 per cent, reflecting the importance our people place on safety within Australia Post. This is on par with scores seen in best employer organisations – a strong testament to how embedded safety is in our culture.

Our 2015 results also show that we have improved communication from leadership, increased employee confidence that we will act on say2action feedback, and improved the effectiveness of collaboration between teams. While these are pleasing results, we must continue working towards delivering further improvements in these areas over the coming year.

While we are making steady progress against a number of areas, we will increase our focus on improving customer experience over the next year, with particular attention on empowering our people to create high quality and competitive products and services that will delight our customers.

We are determined that as our business transforms, we will provide our people with the opportunity to transform alongside us by creating an environment where collaboration is encouraged and helping each other is a shared value.

Supporting our people

In June 2015, we announced a three-year program of job reductions in our postal business.

After discussions with unions, employees and government, we made a commitment that there will be no forced redundancy of any employees directly impacted by letters reform who are actively seeking jobs in other parts of the business.

The fund to support the transition will be set up this year and includes a $190.0 million provision to pay for voluntary redundancy over the next three years.

Post People 1st

We are determined that, as our business transforms, we will provide our people with the opportunity to transform alongside us by creating an environment where collaboration is encouraged and helping each other is a shared value.

With that in mind, in October 2013 we established Post People 1st to prioritise and support the future of our people through retraining and redeployment if they wish to remain in the organisation.

We deliver a range of self-directed and face-to-face training options across key areas of compliance, skills building and career development.

Under the Post People 1st program, we will continue to invest in our existing employees and put them first for jobs at Australia Post, first for skill development, and first for a career. As a result, in 2014/15 alone, 59.9 per cent of our advertised roles were filled by internal applicants.

A healthy workforce is a vital component of Australia Post's safety strategy and this year we launched our **Be well, healthy, happy** program to support our people in achieving their peak physical, personal and psychological health.

Strengthening our safety culture

Safety is one of our shared values and an essential part of delivering a better future for our people.

For the second year running, we had a significant reduction in workplace incidents and injuries. Our Lost Time Injury Frequency Rate decreased to 7.0 from 8.0 (a reduction of 12.5 per cent compared to last year), while our All Occupational Injury Frequency Rate reduced to 21.5 from 22.8 (a reduction of 5.7 per cent compared to last year).

We have continued to invest in Safety Leadership programs that support a shift in focus from compliance to the creation of a culture where safety is embedded in every decision. As a result, we have seen a reduction of 18.0 per cent for all injuries and a 28.1 per cent reduction in lost time injuries for sites where Safety Leadership has been implemented (YTD May 2015 results compared with YTD May 2014 results).

We also established the Enterprise Safety Council, comprising senior leaders across the organisation, to provide consistent guidance around ways we could improve our safety performance.

Our safety culture continues to improve, with our Hazard Awareness Project resulting in a number of safety issues being identified, reported and addressed by our people and their managers. The program also helped foster collaborative relationships with local councils where our people were able to identify and report hazards impacting the local community.

Over the past four years, we have committed to an annual Safety Time discussion which gives our people a dedicated time to stop and discuss safety in their workplace.

The theme of 2014's campaign was "Permission to Pause", which reinforced the message that we will always prioritise safety ahead of operational performance – no matter what.

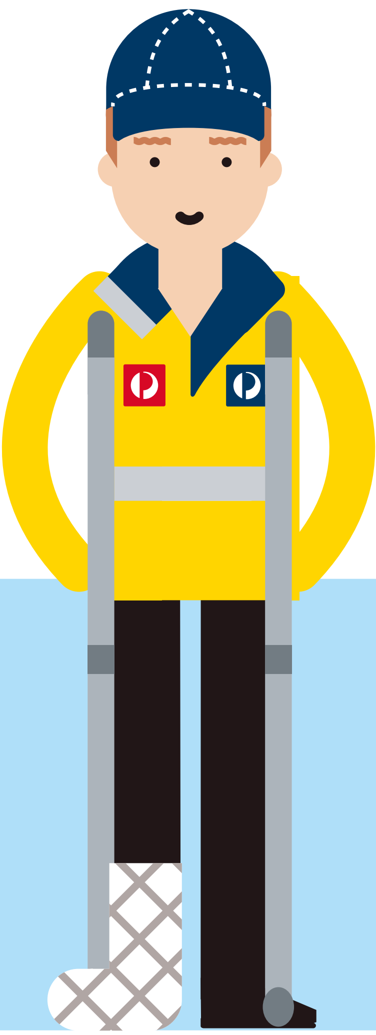
Our contractor workforce plays a significant and important role in delivering our services. We are committed to further strengthening our compliance oversight of third party delivery contractors to ensure our contractors are afforded a fair and safe work environment.

There were many positive safety outcomes this financial year. However, in June 2015, we suffered the tragic loss of a colleague and friend when one of our postal delivery officers was fatally injured on his delivery route in Perth, Western Australia.

Improving our safety performance

Safety Performance	2013	2014	2015
Lost time injury frequency rate Where next shift could not be worked due to injury/ occupational disease (i.e. lost time, per million hours worked)	8.2	8.0	7.0
Injury rate Incidents involving an injury per 200,000 hours worked	3.9	3.4	3.0
Occupational disease rate Incidents involving occupational disease per 200,000 hours worked	1.2	1.2	1.3
Fatalities (number)	2	0	1
Fatality rate (per million km)	0.0095	0	0.0047
All occupational injury frequency rate Incidents involving an injury per million hours worked	25.6	22.8	21.5

StarTrack data is not included in FY 13 and 14 results.
Injuries are based on approved claims.



Dangerous dog training

After some of our Darwin staff members reported that incidents involving dogs were increasing, we enlisted the help of the City of Darwin's animal management team to help staff deal more effectively with aggressive dogs.

Participants were taught how to read a dog's body language and tell whether it's aggressive or if an attack is imminent. They were coached on how to safely manage canine encounters. As a result of the February training session, Posties have changed the way they interact with dogs.

This training is being trialled across sites around the country, with a view to finalising a national rollout next year.

Fleet safety

The safety of our fleet is of paramount importance. In October 2014, we introduced our Alcohol and Other Drugs Policy, all Transport Managers and Transport Workers received online training in October and November. Random testing commenced in December 2014.

We also ran an in-cabin training program to help drivers understand and reduce their exposure to injury.

In February 2015, we transitioned all StarTrack staff to the *Work Health and Safety Act 2011* (Commonwealth) and created a single Work Health and Safety management system that has provided consistency across the organisation.

Embracing Diversity

Our people at a glance

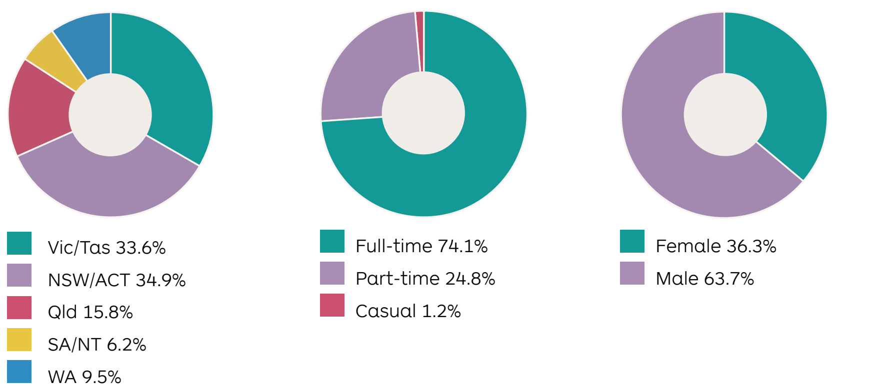
	2014	2015
Aboriginal & Torres Strait Islander representation	1.5%	1.9%
Culturally & Linguistically Diverse	23.0%	25.5%
People with Disability	6.9%	6.3%
Lesbian, Gay, Bisexual, Transgender and Intersex people	Not available	0.9%
Female representation	38.9%	38.7%
Female Executive Committee members	33.3%	37.5%
Female Bands 1–4	34.1%	33.3%
Women in Management	36.2%	35.5%
Female Postal Manager	47.6%	50.9%
Female Facility Manager	25.3%	30.8%
Female Delivery Manager	19.9%	15.9%

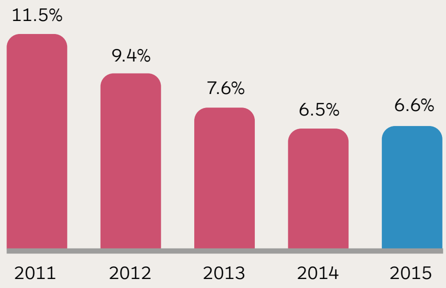
64 languages **140** nationalities (Australia Post only)

Our diversity program has enjoyed many highlights throughout the year, including the creation of our Gender Action Plan, the completion of our first Australia Post Group Diversity Census and the launch of PostPride, our Lesbian, Gay, Bisexual, Transgender and Intersex (LGBTI) employee network.

It is pleasing to note that as well as seeing an increase in the representation of women in operational roles, we also realised the target set in last year's Reconciliation Action Plan to raise the representation of Aboriginal and Torres Strait Islander employees from 1.5 per cent to 1.9 per cent.

Total workforce





Data based on average headcount for permanent, full-time and part-time employees only. (Excludes redundancies)

Work Mate

Nominated as a finalist in the National Disability Awards, *Work Mate* is a short film based on the inspiring story of Charlie McConnell, a blind Customer Care Consultant at our Sydney Parcel Facility. The film explores the stereotypes of a disabled worker and shifts the focus to people's *abilities*, rather than their *disabilities*.

Our Australia

Building on the success of *Work Mate* Australia Post launched Our Australia, a project focused on encouraging employees to share their stories of diversity and inclusion in the workplace.

Workplace flexibility and support

We offer our people a range of options to help them balance work and personal commitments, including changes to hours, days and location of work, job-share arrangements and beneficial leave provisions, such as purchased leave, ceremonial leave and leave without pay.

Our people's attendance rate this year was 94.0 per cent (down from 94.2 per cent last year) and 94.3 per cent of employees returned to employment with us from parental leave (down from 95.7 per cent last year).

Embracing diversity is at the core of our business. We believe that it's the key to creating a high-performing, competitive business culture where innovation can thrive and the experience of our people better reflects that of our customers.

Delivering a better future… for our customers

Our customers are at the core of what we do and, as technology transforms their lives, our ability to respond to this disruption will determine the future of our business.

How customers feel about us

As an enterprise we measure consumer advocacy using our Net Promoter Score (NPS), a widely used measurement that tracks customer sentiment towards an organisation (refer to page 127 for more information).

Each month, a survey is sent to a cross-section of the Australian community asking them to rate their overall experience with Australia Post.

Over the past two years, we have seen significant growth in customer advocacy. This year we achieved a net score of 15.0, up from 13.6 in 2014 and 10.8 in 2013.

This can been attributed to Australia Post's focus on customer centricity, resulting in improved customer experiences – particularly in our parcels business and post offices.

Our customers' experiences will drive our future success and we need to make sure that every delivery – whether online or in person – gets it right.

To build a better future for our customers, we must listen to them, anticipate their needs and respond innovatively.

The internet, mobile communications and social media have all conspired to undermine our letters service. However, for an eCommerce business, these changes also bring opportunities to create a new level of personalised experience that will enable us to forge deeper relationships with our customers.

Achieving this requires us to continue fostering a culture of innovation while also working to build a deep understanding of our customer segments – it's how we create the tailored solutions our customers need to succeed in a digitally connected, global economy.

Doing so will enable businesses to get online and grow, while also enabling consumers to shop, transact and communicate in a secure online environment.

By leveraging the advantages of our physical and digital services, infrastructure, capability and technology, we have opened up new and exciting opportunities for all Australians to access markets both here and abroad.

We have a unique ability to provide identity and financial services and securely connect government agencies, consumers and businesses via in-store and digital services.

Consumer perspective

This year's AMR Corporate Reputation Index shows that our business remains one of Australia's most trusted brands. We maintained our position in the top 10, ranking sixth but dropping four places from second spot in 2014. Given the challenges our business has faced due to mounting pressures on our letters business and the transformation we are undergoing, it's pleasing to see that many Australians appreciate the value of securing a sustainable letters service and working to build a parcels business that can meet the future demands of the community.

As part of our NPS survey, Australian consumers were asked to identify what services were driving their advocacy of our business. The 2014/15 results showed that consumers are increasingly seeing Australia Post as a parcels business, with sending and receiving parcels accounting for 63 per cent of advocacy in our Q4 results (up from 54 per cent in Q1). At the same time, sending and receiving letters accounted for 21 per cent (down from 27 per cent in Q1).

We know that the first step in creating a truly customer-centric business is improving our ability to listen and respond to feedback. Over the coming year we will continue to refine and improve the ways in which we collect and evaluate consumer insights to ensure we are delivering experiences that will engage and delight our customers.

Helping small business go and grow online

The small business sector is highly reliant on eCommerce and the post office is increasingly becoming a critical part of the team, providing expertise and connections that help it get online and grow.

We equip our small business customers with the expertise and market access they need to reach customers in Australia and overseas, so they can scale a successful eCommerce enterprise.

We've built 57 Business Hubs with supply chain and freight experts on hand to provide local service and sales support to small businesses that are selling online.

We have also acquired web-based payment and identity services, like SecurePay, POLi and KeyPass, so that we can provide end-to-end Trusted Services support for businesses and consumers, across the eCommerce value chain.

Making life easier for consumers

Increasingly, we are being led by our customers' decisions on how they want to interact with us. Whether they are visiting one of our post offices, accessing our website or making a purchase through a third party's online store, our priority is to ensure they enjoy the experience.

Our post office network continues to be an important touch point for services, particularly in rural and regional areas where we are often the last remaining service provider.

However, we know that consumers also want safe, inclusive access to the digital world. That's why we built an online post office.

Available 24/7, MyPost lets customers receive mail, pay bills and store important documents. They can change their address and use MyPost Deliveries to track parcels – while in transit – or open their parcel locker. Concession card holders can even use MyPost to buy discount postage. Today, more than two million customers use the MyPost platform.

Our nationwide, last-mile delivery capabilities mean consumers enjoy unmatched convenience in how they receive their deliveries. Customers can receive deliveries at home or take advantage of our 24/7 Parcel Lockers, extended trading hours and Saturday deliveries for Express Parcel Post.

The MyPost Digital Mailbox continues to grow and we are working to add more providers in the coming year. We are also focused on developing services that will transform the way consumers connect with government and business providers.

We have always been a part of regional and rural Australia and this will not change, with our post offices playing a vital role in connecting communities and providing essential services.

We are often the last remaining service provider in many rural and regional locations, so we understand the importance of providing all Australians, regardless of their location, with seamless access to essential services – both online and in person.

Backed by our well-established credentials in identity verification, our suite of Trusted Services allows customers to fulfil a range of services, such as paying a bill or applying for a driver's licence, passport or tax file number.

By unlocking the full potential of our national retail network to put essential services in reach of every Australian, we are not only helping them to shop and transact, we are also contributing to greater social and financial inclusion in many communities.

Go online and grow in Bendigo

We are committed to helping small business prosper in rural Australia and, in April this year, Australia Post hosted a "Go and Grow Online" event in Bendigo.

These events help small business owners in local communities address the challenges of declining populations, economic uncertainty and increased competition from online retailers.

Google representative, Tim Gentle, presented to 40 small business owners about how Google can assist in driving traffic and sales to their website.

Australia Post will continue to run these events in our rural and regional communities, to help customers learn how to create an online business and grow it successfully once it's established.

Our international partnerships are opening new markets for small business to reach Asian consumers through Tmall and JD.com. We will continue to pursue new opportunities to support Australian merchants to access new markets – locally and internationally.

The combination of our business hubs and the MyPost Business portal is providing the integration of physical interaction and digital experience that local small-to-medium businesses need to grow in the digital economy.

As an important part of their supply chain and overall customer experience, we have developed a range of innovative eCommerce solutions to help small business manage their local and international logistics needs and build better relationships with their customers.

For instance, we offer payment solutions such as SecurePay that now enable us to provide customers with a complete shopping, fulfilment and delivery capability, seamlessly linked to their digital environment – making it simpler, faster and safer for businesses to start selling online.

In this era of online, mobile, and borderless commerce, Australia Post has a vital role to play in encouraging, enabling and supporting the growth of Australian small businesses. After all, we have the physical networks that small businesses can leverage to grow – both domestically and beyond our shores.

Next year, we will launch a number of business accelerators – or incubators – across major cities and some regional centres. Within these accelerators, we'll work collaboratively with entrepreneurial Australians focused on building services related to a specific aspect of the eCommerce value chain. Those small businesses can leverage our infrastructure, our scale, and our deep knowledge of eCommerce to bring their innovation to life.

Initiatives such as this will be vital to us maintaining our role in communities, everywhere.

Transforming government and corporate services

From the payment of taxes and bills to applying for government benefits, passports and licences – Australians undertake more than 800 million transactions with government agencies each year, with around 40 per cent still completed via traditional (non-digital) channels.

We recognise that government agencies and large businesses are increasingly looking for opportunities to reduce their reliance on physical mail and improve their levels of customer service.

As one of the country's most trusted brands, we have more than 30 years' experience in identity verification, handling in excess of five million identity transactions each year.

That leaves us in a strong position to transform the way government and large business engage with consumers, particularly in rural and regional communities.

We already represent business and government by facilitating millions of online transactions and mail deliveries each week. Through the MyPost Digital Mailbox, consumers can now securely receive important communications from business and government – as well as pay bills.

They can also complete passport and tax file number applications online before completing the process in-store, as well as accessing a range of identity services remotely.

In the future we will continue to build our capability around these services to create transformational digital partnerships that offer greater efficiency to business and government and increased convenience for consumers and citizens.

Powering eCommerce

Australia Post and StarTrack offer a suite of eCommerce solutions that empower online retailers to streamline their operations to create large-scale, efficient supply chain solutions.

We help Australian businesses to create a competitive advantage by providing payment and delivery solutions that offer their customers greater certainty, security and convenience at the checkout.

Our MyPost Deliveries service empowers consumers to reschedule, redirect, or return parcels – and manage it all in one secure place. It also gives them the ability to direct their parcels to any one of more than 3,600 parcel collect locations – offering the convenience of collecting from the nation's largest "Click & Collect" network.

Another innovation we've introduced is our "Delivery Choices" service. eTailers can embed this service in their online ordering system and offer their customers choice around delivery location or collection point, as well as delivery time and date. They can even specify a two-hour delivery window.

It's an example of how our innovation initiatives are being led by the shifting expectations of our customers.

Through our strategic international partnerships we enable businesses to source supplies from the most cost-effective locations and deliver anywhere in the world, with ease and efficiency.

We are also working to provide Australian retailers with greater access to overseas markets through our agreements with international postal organisations, eCommerce marketplaces and global businesses.

We will continue to develop our online presence and logistics capability in Asia to ensure that Australian eTailers are well placed to leverage the largely untapped value of Asia's growing consumer market.

Delivering a better future… for our community

While Australia Post has grown to be one of Australia's largest organisations, it is the many local communities we serve and, our impact on them, that best define our business.

Our business is focused on providing every customer, regardless of their location, with the means to access goods, services and business opportunities quickly, cheaply and as safely as possible.

For more than 200 years, serving the Australian community has been our reason for being and our assets and capabilities, along with the community's trust in our brand, mean that we can play a unique role in helping to drive greater inclusion and prosperity for all Australians.

We believe this is especially important to communities in rural and regional areas, where the post office continues to be an important hub and, in many cases, is the last remaining service provider.

Every day we help citizens, communities, businesses and government connect with each other across the country, regardless of their size or location, fulfilling our purpose to help our people, customers and communities build a better future. Everyone, Everywhere, Everyday.

Aligning with our purpose in the community

Last year, Australia Post embarked on a journey to shift our approach from traditional Corporate Responsibility practices to focus on "Shared Value", assisted by our partnership with the Asia-Pacific Social Impact Leadership Centre.

Over the past six months we have worked alongside various community and business groups to understand their changing expectations and identify where they intersect with Australia Post's purpose and business strategy. These insights will focus and direct the evolution of Australia Post's community program in 2015/16.

Ahmed Fahour, Australia Post Managing Director & Group CEO officially opening office space on the first floor of the Heidelberg West Post Office in August 2014. This initiative was developed in consultation with local and state governments, together with small business incubator Darebin Enterprise Centre Limited (DECL)

Building on our key community programs

This year we continued to work side by side with our seven National Community Partners on a number of initiatives designed to help build healthier and more inclusive communities. In partnership with the AFL and Netball Australia we worked with local football and netball clubs across Australia to help build their capacity to provide a more welcoming environment for people from diverse backgrounds and with different abilities.

The Australia Post AFL Multicultural Program continues to go from strength to strength with participation growing across the wider community and within the Australia Post workforce. Over 5,000 Australia Post employees from multicultural backgrounds participated in the 2014 Multicultural Round. Australia Post AFL Ambassadors once again visited a number of facilities around the country to share personal stories and join with staff to celebrate the diversity of Australia Post's workforce.

Australia Post AFL Ambassadors Nic Naitanui (West Coast Eagles) and Bachar Houli (Richmond Tigers) with Melbourne Airport Gateway Facility employees

Regional and remote communities were the focus for the 2015 Australia Post AFL Community Camps. We ran eight community competitions via local newspapers offering AFL fans the chance to win a once-in-a-lifetime VIP session with an Australia Post AFL Multicultural Ambassador.

The winning entries ranged from aspiring footy players who opted for a one-on-one training session to young footy fans who chose a chat around the family breakfast table with their heroes.

The Australia Post One Netball Community Awards recognise and reward the individuals, clubs and associations that go above and beyond to create and support inclusive netball environments.

The Australia Post One Netball Ambassadors engaged new communities at the grassroots level to build awareness and understanding around diversity. Working in partnership with local community brokers, new community groups were invited to Australia Post "Come and Try" clinics to join in and play netball for the first time.

Australia Post One Netball Ambassador Mo'omia Gerrard with students from Punchbowl Primary School at the NSW "Come and Try" Clinic

Workplace Giving

We also provide a voluntary workplace giving program that offers our employees the opportunity to make tax deductible donations to a large number of charity partners.

For 11 of these charities, Australia Post matches contributions made up to a maximum of $200 per employee per annum. In 2014/15, our Workplace Giving program raised $477,709 for charitable causes, with employee donations accounting for $295,235 and Australia Post's matched contribution totalling $182,474.

The Our Neighbourhood Community Grants program continues to be well supported. In October 2014, 113 grant winners were announced across the categories of Digital Inclusion, Workplace Inclusion, Community Inclusion, Disaster Readiness and Small Business Innovation.

The number of applications in the 2015 grant round increased by 27 per cent on the previous year. In addition to the Our Neighbourhood Community Grants, a new Small Business Grants program was introduced.

Australian Chinese Community Association of NSW – empowering local CALD communities through digital technology education

This year, together with our National Community Partner, Infoxchange, we launched "Go Digi", a digital literacy platform and network aimed at helping to reduce the digital divide by building the capability of Australians to participate in a digital world. The "Go Digi" platform was unveiled in Canberra in February with representatives from leading digital organisations in attendance at the National Library.

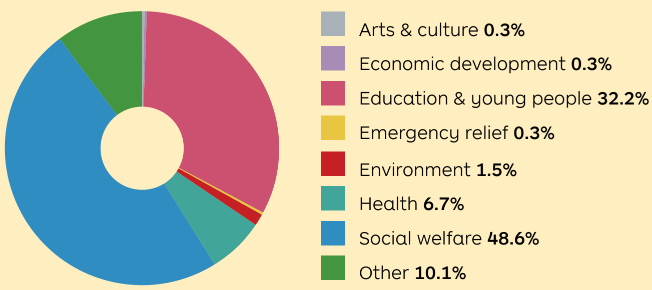
Measuring our impact

This year, we invested more than $6.5 million in the community. This figure was comprised of cash, time, in-kind donations, and management and operational costs to support our community programs.

Australia Post is a member of the London Benchmarking Group (LBG) and sits on the Group's Steering Committee. We measure our community investment using the LBG's internationally recognised approach and the data we report is verified by LBG each year.

A copy of LBG's verification statement can be found at auspost.com.au/annualreport2015

Allocation of cash, time and in-kind contributions

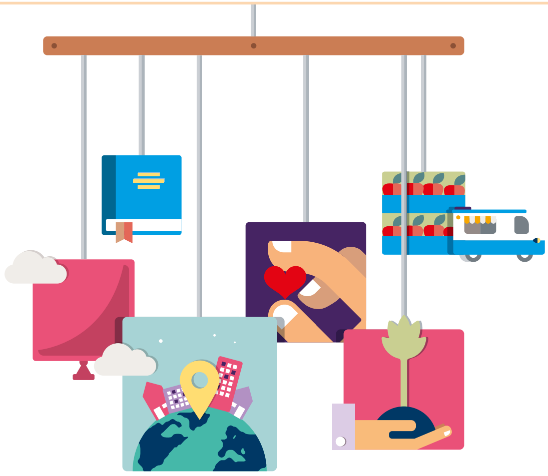


Engaging the community

In May 2014, we introduced our Community Engagement Program, which involved Local Community Discussion Groups in nine locations across Australia, an online National Conversation platform, Listening Posts and Community Leader meetings in 166 towns nationally (see page 16).

These forums were introduced to engage with the Australian community around the changing nature of Australia Post and gain feedback on the proposed reform changes. This year the Community Engagement Program was further expanded to include local and national briefings to Peak Community Representative Groups.

A national marketing campaign helped raise awareness of the proposed business changes and invited the community to contribute their views via the different engagement mechanisms. As at 30 June 2015, more than 132,000 people have participated in the conversation around reform. A detailed summary of the community views and national engagement can be downloaded from auspost.com.au/conversation.



Good Spender

Goodspender.com.au is a social enterprise marketplace developed by Australia Post and our community partner, Social Traders.

The Tjanpi Desert Weavers is a dynamic social enterprise established in 1995 by the Ngaanyatjarra Pitjantjatjara Yankunytjatjara Women's Council. Tjanpi was created to enable women living in remote communities across the Central and Western Deserts to earn their own income from fibre art.

Today the Tjanpi enterprise is more than just fibre art and income; it is firmly embedded in contemporary Central and Western Desert culture as a movement that celebrates life, creativity, culture and country.

Tjanpi provides artists with opportunities to come together and share their unique gifts, perspectives and identity with the world.

The Tjanpi Desert Weavers sell their fibre art on the Good Spender website (see page 24).

Tjanpi Desert Weavers from Docker River, 2011.
Image: Rhett Hammerton © Tjanpi Desert Weavers, NPY Women's Council

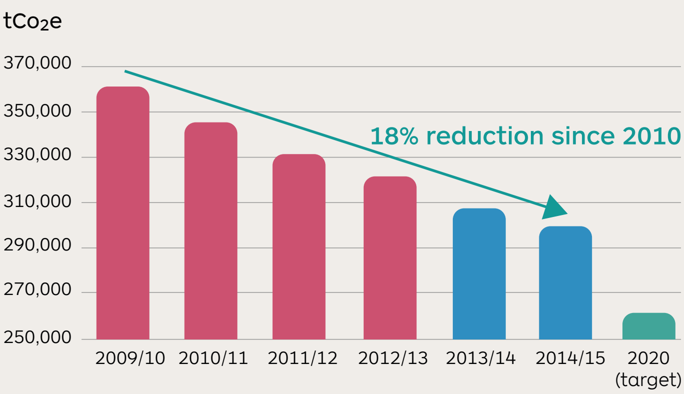
Environmental sustainability

This year, our focus remained on helping our people, our customers and community build a better environment. We aimed to achieve this by valuing our natural resources and delivering sustainable solutions for our customers – the environment is considered in everything we do.

Our approach to environmental sustainability is in line with our commitments under the United Nations Global Compact and aligns with the International Standard for Environmental Management, ISO14001.

Our Environment Management System enables us to identify and prioritise important environmental issues. It guides continual improvements in our environmental performance, which is monitored by the Australia Post Board Audit & Risk Committee. In 2014/15, we had no significant environmental incidents, spills, fines or prosecutions.

Carbon reduction target (Scope 1&2 GHG emissions)



Since 1999/2000, our CO_2 emissions have declined by 15 per cent.

Valuing our natural resources

Australia Post continued to reduce our environmental footprint through a comprehensive and consistent approach to driving fuel and energy-efficiency savings across our real estate and transport businesses.

As a result we have again achieved carbon savings of 10,707 tonnes of CO_2e this year, bringing our overall Scope 1 & 2 GHG emissions reduction to 15 per cent, on the way to achieving our 25 per cent reduction target by 2020.

Scopes 1, 2 and 3 greenhouse gas emissions (tonnes CO_2e) – by source

	Emission source	1999/00 (baseline)	2012/13	2013/14	2014/15
Scope 1 Direct emissions	Natural gas	5,444	5,819	4,756	4,787
	LPG	3,019	5,796	6,333	5,753
	Diesel (vehicle fuel)	86,630	97,320	96,372	94,408
	Petrol (vehicle fuel)	15,866	11,432	10,511	9,126
	Other small sources	68	0	327	1,545
	Total	111,027	120,368	118,299	115,619
Scope 2 Indirect emissions	Electricity	237,409	201,490	188,855	181,919
	Total	237,409	201,490	188,855	181,919
	Total Scope 1 and Scope 2 Direct and indirect emissions	**348,436**	**321,858**	**307,123**	**297,539**
Scope 3 Indirect emissions (not included in Scope 2) that focus primarily on our contractor transport services	Energy production and transfer	40,576	36,120	39,479	34,061
	Subcontracted transport	0	404,886	572,024	556,461
	LPOs electricity consumption (estimated)	0	13,743	26,086	36,996
	Business travel		2,678	3,434	4,116
	Waste disposal	29,031	0	10,539	11,162
	Total Scope 3	**69,607**	**457,427**	**651,562**	**642,795**
	Total Scope 1, 2, and 3 emissions	**418,043**	**779,285**	**958,716**	**940,334**

Notes:

All 2014/15 data includes StarTrack. Scopes 1 and 2 emissions from baseline to 2012/13 include StarTrack 2013 NGER data.

Calculation methodologies for Scope 3 subcontracted transport and LPOs electricity consumption have changed in 2014/15 and are not directly comparable to previous years.

Subcontracted transport and business travel provided for the 2013 calendar year. The majority of Scope 3 subcontracted transport carbon emissions are based on kilometres travelled. Kilometres travelled are based on the type of vehicle used and converted to carbon emissions using the National Greenhouse Accounts Factors – July 2013.

The 2013/14 data for scope 1 and 2 emissions has been updated to fully align with the energy and emissions information reported to the Clean Energy Regulator as part of the National Greenhouse and Energy Reporting Scheme, which was completed in October 2014.

Better vehicles

Overall fuel consumption was down 3 per cent, including a 2,790 tonne reduction in carbon emissions due to the careful management of our fleet of just under 12,000 vehicles. The main highlights of our performance are detailed below:

Old vehicles	New vehicles	Carbon savings achieved	Litres saved
Motorbikes	4,469 NBC110 motorbikes	885 tonnes	386,956
Sedans	Toyota Corolla	453 tonnes	205,221
Prime movers	New prime movers	533 tonnes	197,942
TOTAL		**1,871 tonnes**	**793,119**

Australia Post has been able to reduce fuel consumption through the transfer of the New South Wales Transport Facility from Clyde to Chullora next to where the parcel facility is based. As a result there was an increase in productivity as vehicles no longer made the trip from Clyde to Chullora without any product. Total savings have been estimated at 147,807 litres, 398 tonnes of carbon for this year.

Building great places

This year we have seen a reduction in our total carbon emissions from electricity of 7,595 tonnes. Our embedded approach to energy management has enabled the delivery of key projects, including:

Energy efficiency

- Energy efficiency upgrades at over 100 facilities across Australia this year, including lighting, heating, and cooling upgrades.
- Our Green Information and Design Technology program, which has delivered savings through data centre management and computer equipment upgrades.
- We transitioned approximately 1,000 staff to 180 Lonsdale Street, Melbourne – a newly fitted building incorporating a high level of environmental sustainability with natural light, water conservation, waste management and "follow me" print technology. We're currently working towards achieving 5 Star Green Star certification.

Renewable energy

- This year we introduced renewable energy into our property and transport operations, including Australia's first 100 per cent electric commercial van, biofuel and the installation of approximately 570kW of solar power at our sites around Australia.

StarTrack House

Our award-winning StarTrack House is a leading example of our commitment to improving the environment and creating great spaces for our people.

Launched in May 2014, it is the first refurbished building in Australia to receive certification of Triple 5 Star Green Star (Office Design v3), 5 Star Green Star (Office As Built v3), and 5 Star Green Star (Office Interiors v1.1).

The building – originally the Redfern Mail Exchange in the 1960s – has collected a number of other awards for its amazing makeover including:

- 2015 Property Council of Australia Best Sustainable Development, Existing Buildings Award
- NSW MBA 2014 Excellence in Construction Award: Refurbishment/ Renovation/Construction
- High Commendation at the 2014 Sydney Engineering Excellence Awards.

Delivering sustainable solutions for our customers

Throughout 2014/15, we continued to explore environmentally sustainable solutions for our customers and the community. To that end, we worked with some of Australia's leading recyclers in leveraging the power of our network to enable the recycling, return and reuse of items that would normally go to landfill.

We continued our work with Planet Ark and Mobile Muster to collect and recycle mobile phones and printer cartridges across the network. To date, this has resulted in over 463,000 printer cartridges and 238,000 mobile phones being recycled.

Through our existing partnership with TerraCycle Australia, we recycle cigarette butts, coffee pods, toothbrushes and cleaning products using specially branded Australia Post satchels that can be securely sealed and posted to TerraCycle Australia.

The waste is then processed into industrial products such as lumber, shipping pallets and railway sleepers. We have helped recycle over seven million cigarette butts.

In an Australian first, we have partnered with TerraCycle Australia to develop the Zero Waste Box. This helps customers recycle items that aren't currently recyclable, such as pens, hard plastics, hairnets, plastic gloves and mailroom supplies.

We also partner with Close the Loop to transport thousands of collection boxes around Australia. Together we enable the recycling of 13 major brands of inkjet or laser printer cartridges, toner bottles, drum units or fuser kits, from printers, photocopiers and fax machines.

Our packaging

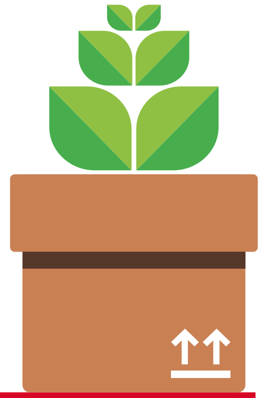
We have a broad program to continually improve the sustainability of our packaging. This is outlined under our Australian Packaging Covenant Action Plan, which commits Australia Post to continue to reduce the environmental impacts of packaging related to our business activities.

We review our packaging to ensure that it is fit for purpose and, where possible, we reduce the impact on the environment through using recycled materials and increasing packaging recyclability. This approach applies to Australia Post-branded products as well as our customised packaging solutions for our customers.

More recently, we have established a national recycling program for our flexible satchel products in partnership with TerraCycle Australia.

To view our Action Plan and Australian Packaging Covenant Report go to auspost.com.au/environment.

Waste reduction program



Australia Post has a number of waste management strategies in place to assess and reduce waste, focusing on recycling non-hazardous waste and minimising the amount of waste going to landfill.

We continue to manage our waste streams with paper, cardboard, co-mingled and plastic recycling in place.

Operational waste stream	2014 (tonnes)	2015 (tonnes)
Cardboard	2,120.1	2,047.1
Co-mingled	116.1	105.9
General mixed waste	10,849.3	9,301.3
Timber	112.9	187.8
Paper	1,721.6	1,705.9
Total	**14,919.9**	**13,348.0**

Engaging with our people, customers and community

We launched our three-year Environmental Engagement Strategy aimed at empowering our people, community and customers to build a better environment, driving sustainable practices both in the workplace and at our employees' homes.

Key achievements this year included establishing a Green Network of environmental ambassadors and, for the first time, celebrating World Environment Day creating awareness for over 2,000 decision makers in our business, giving away 500 seedlings for planting and four raised pallet gardens created from upcycled pallets. We also worked to strengthen our strategic partnerships with Banksia Foundation, Clean Up Australia, The World Wildlife Fund and the Centre for Sustainability Leadership.

An upcycled pallet garden at our 2015 World Environment Day celebrations

G4 content index

G4 standard disclosures		Page(s)	Primary report section(s)
Strategy & analysis	**G4–1**	4–5	Chairman's message and Managing Director & Group CEO's message
Organisational profile	**G4–3 to G4–9**	8–9	Our Business
		14–15	Financial performance
	G4–10 to G4–11	36, 123	Our people at a glance, Workplace relations and Australia Post – the statistics
	G4–12	8–13	Our Business
	G4–13	4–5	Chairman's message and Managing Director & Group CEO's message
	G4–14	56	Recognising and managing risk
	G4–15 to G4–16	IBC	Commitment to external initiatives
Identified material aspects and boundaries	**G4–17**	14–15	Financial performance
	G4–18 to G4–23	2 and 128	Introduction, About this report and G4 content index online
Stakeholder engagement	**G4–24 to G4–27**	16	Engaging our stakeholders – see supplementary disclosure online
Report profile	**G4–28 to G4–31**	128	About this report
	G4–32	48	G4 content index
	G4–33	49	Assurance statement
Governance	**G4–34**	6–7	Board and leadership team
		51–53	Principle: Structure the Board to add value
Ethics and integrity	**G4–56**	13	Our people are the heart of our business
		54	Principle: Act ethically and responsibly
Disclosure on management approach (DMA)	**DMA**	128	About this report – see supplementary disclosure online

G4 indicators		Indicator	Page(s)	Report section(s)	Coverage
Economic	Financial performance	**G4–EC1**	14–15	Financial performance	Full
	Financial assistance from Government	**G4–EC4**	2	Introduction	Full
Environmental	Internal energy use	**G4–EN3**	44–46	Environmental sustainability – see environment data online	Full
	External energy use	**G4–EN4**	44–46	Environmental sustainability – see environment data online	Full
	Reduction in energy use	**G4–EN6**	44–46	Environmental sustainability – see environment data online	Full
	Direct GHG emissions	**G4-EN15**	44–46	Environmental sustainability	Full
	Indirect GHG emissions	**G4-EN16**	44–46	Environmental sustainability	Full
	Other indirect GHG emissions	**G4-EN17**	44–46	Environmental sustainability	Full
	Emission reduction	**G4-EN19**	44–46	Environmental sustainability	Full
	Waste	**G4-EN23**	47	Waste reduction program	Full
	Significant spills	**G4-EN24**	44	Environmental sustainability	Full
	Environmental initiatives	**G4-EN27**	44–47	Environmental sustainability	Partial
	Packaging	**G4-EN28**	47	Delivering sustainable solutions for our customers	Partial
	Compliance	**G4-EN29**	44	Environmental sustainability	Full
	Transport impacts	**G4–EN30**	44–47	Environmental sustainability	Partial
Labor practices and decent work	Workforce turnover	**G4–LA1**	36	Our people at a glance	Partial
	Parental leave	**G4–LA3**	37	Workplace flexibility and support	Partial
	Safety	**G4–LA6**	34–35	Strengthening our safety culture	Partial
	Training	**G4–LA9**	33	Post People 1st	Partial
	Skills programs	**G4–LA10**	33	Post People 1st	Full
	Diversity	**G4–LA12**	36	Embracing diversity	Partial
Society	Community impacts	**G4–SO2**	42–44	Building a better future … for our community	Full
Product responsibility	Customer satisfaction	**G4–PR5**	38–39	Delivering a better future … for our customers and Consumer perspective	Full
	Customer privacy	**G4–PR8**	54	Protecting privacy	Full

Note: a detailed G4 content index is available on the Australia Post website at auspost.com.au/annualreport2015

Assurance statement

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Independent Limited Assurance Statement in relation to Selected Sustainability Matters

Limited Assurance Conclusion:

Based on the limited assurance procedures conducted, nothing has come to our attention that causes us to believe that the Selected Sustainability Matters and related disclosures in the Annual Report for the year ended 30 June 2015, have not been calculated and presented fairly, in all material respects, in accordance with the Criteria.

To the Management and Directors of Australia Post

We have carried out a limited assurance engagement in order to state whether anything has come to our attention that causes us to believe that the subject matter detailed below ('Subject Matter'), and as presented in the Australia Post 2015 Annual Report ('the Report'), has not been reported and presented fairly, in all material respects, in accordance with the criteria ('Criteria') below.

Subject Matter

The Subject Matter for our limited assurance engagement is the selected sustainability themes ('Selected Sustainability Matters') listed in Table 1 and related disclosures for the year ended 30 June 2015.

Table 1: Selected Sustainability Matters

Selected Sustainability Matters	Annual Report page reference
Rural and regional access	8-9, 27-29
Customer service	23, 28, 38
Greenhouse gas emissions	44-46
Workforce engagement	33
Employee health & safety	5, 33-35
Employee development & retention	5, 19, 33, 36

The subject matter did not include:

- Data sets, statements, information, systems or approaches other than the Selected Sustainability Matters and related disclosures
- Management's forward looking statements
- Any comparisons made against historical data.

Criteria

The following criteria have been applied:

- The Global Reporting Initiative (GRI) indicator protocols
- Australia Post's reported criteria detailed in footnotes in the Annual Report.

Management's Responsibility

The management of Australia Post is responsible for the preparation and fair presentation of the Subject Matter in accordance with the Criteria, and is also responsible for the selection of methods used in the Criteria. No conclusion is expressed as to whether the selected methods are appropriate for the purpose described above. Further, Australia Post's management is responsible for establishing and maintaining internal controls relevant to the preparation and presentation of the Subject Matter that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate criteria; maintaining adequate records and making estimates that are reasonable in the circumstances.

Assurance Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Subject Matter based on our assurance engagement conducted in accordance with the International Federation of Accountants' *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ISAE 3000') and the terms of reference for this engagement as agreed with Australia Post.

Our procedures were designed to obtain a limited level of assurance on which to base our conclusion, and, as such, do not provide all of the evidence that would be required to provide a reasonable level of assurance. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the Subject Matter, whether due to fraud or error. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls.

Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems, which would have been performed under a reasonable assurance engagement.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Summary of Procedures Undertaken

Our procedures included, but were not limited to:

- Conducting interviews with key personnel to understand Australia Post's process for collecting, collating and reporting the Selected Sustainability Matters during the reporting period
- Checking that the Criteria has been correctly applied in the calculation and aggregation of the Selected Sustainability Matters
- Undertaking analytical review procedures to support the reasonableness of the data
- Identifying and testing assumptions supporting calculations
- Testing, on a sample basis, underlying source information to check the accuracy of the data
- Checking evidence to statements
- Reviewing the appropriateness of the presentation of information.

Use of our Limited Assurance Engagement Report

We disclaim any assumption of responsibility for any reliance on this assurance report, or on the Subject Matter to which it relates, to any persons other than management and the Directors of Australia Post, or for any purpose other than that for which it was prepared.

Independence

In conducting our assurance engagement, we have met the independence requirements of the APES 110 *Code of Ethics for Professional Accountants*. We have the required competencies and experience to conduct this assurance engagement.

Matters Relating to Electronic Presentation of Non-Financial Information

Our review included web-based information that was available via web links as of the date of this statement. We provide no assurance over changes to the content of this web-based information after the date of this assurance statement.

Other Matters

EY has undertaken pre-assurance procedures over the community investment systems and processes. The procedures were designed to transition to providing an assurance report on these matters in future years. These procedures included understanding the process, testing key controls, assessing key assumptions and limited source data testing.

Ernst & Young

Ernst & Young
Melbourne, Australia
15 September 2015

Corporate governance statement

Australia Post maintains a comprehensive system of corporate governance practices designed to provide appropriate levels of disclosure and accountability.

These practices derive principally from the provisions of the Australian Postal Corporation (APC) Act 1989, the Public Governance, Performance and Accountability (PGPA) Act 2013, and the Commonwealth Government Business Enterprise (GBE) Governance and Oversight Guidelines (2015). Our governance framework is also guided by the ASX Corporate Governance Council's eight Corporate Governance Principles and Recommendations as documented in the third edition.

Principle: Lay solid foundations for management and oversight

(based on ASX Principle 1)

Role and responsibilities of the Australia Post Board ("the Board")

The Board is responsible for the corporate governance of Australia Post. Under Section 23 of the APC Act the role of the Board is to:

- decide the objectives, strategies and policies to be followed by Australia Post; and
- ensure that Australia Post performs its functions in a manner that is proper, efficient and, as far as practicable, consistent with sound commercial practice.

In discharging those broadly defined roles, the Board's primary tasks include, amongst others:

- approving the enterprise strategic directions, through the corporate plan, strategic business plans and approval of major new business initiatives;
- approving key corporate policies, including financial matters, risk management and community service obligations;
- monitoring corporate performance, by reviewing business performance, product performance and the corporate plan;
- appointment, evaluation, remuneration, and succession planning – of the Managing Director & Group CEO; and
- meeting its accountability to government by: submitting corporate plans, evaluating and recommending dividend proposals, reporting on business and operational performance, preparing an annual report, by notifying significant business proposals by ensuring compliance with notified government policies and ensuring proper accounting and enterprise risk management and oversight.

Delegation to the Managing Director & Group CEO

Sections 18 & 19 of the APC Act specify a wide number of postal, postal-related and other powers of Australia Post. These powers reside in the Managing Director and may be delegated by him to other employees of Australia Post under Section 93.

Under Section 94 of the APC Act, the Board may delegate virtually all or any of its powers to a Director of the corporation.

The Board has delegated to the Managing Director & Group CEO responsibility for implementing Australia Post's strategic priorities and for managing Australia Post's day-to-day operations. Specific limits on the authority delegated to the Managing Director & Group CEO are set out in the Delegated Authorities approved by the Board.

Executive Committee

The Executive Committee comprises the Managing Director & Group CEO and senior executives. The Executive Committee is accountable to the Managing Director & Group CEO. The purpose of the Executive Committee is to assist the Managing Director & Group CEO to deliver the strategic, operational and compliance priorities for the corporation.

In addition, *the Executive Committee also comprises of a number of forums which assist in managing these priorities*.

Board and Executive Committee appointments

Non-executive directors are appointed by the Governor-General on the nomination of the portfolio Minister for a period of up to five years. Reappointment is permissible. In practice, terms of appointment are generally three years.

The Minister must consult with the chairman before nominating a person for appointment as a director. To nominate a person for appointment as a director, the Minister must have regard to the need to ensure that the directors collectively possess an appropriate balance of skills and experiences aligned to the corporation's strategic priorities.

The Managing Director & Group CEO is appointed by the Board whereas the Executive Committee is appointed by the Managing Director & Group CEO.

The Managing Director & Group CEO and the Executive Committee are employed under individual contracts of employment that are not limited to a specific duration. Continuation of employment is subject to ongoing performance reviews by the Board and the Managing Director & Group CEO. Where the Board terminates the Managing Director & Group CEO or endorses the termination of other senior executives' employment for reasons other than performance or misconduct, they are entitled, in the case of the Managing Director & Group CEO, to:

- 12 months' notice in writing or payment of 12 months' Salary and Allowances in lieu of notice or a combination of both notice in writing and payment in lieu of notice;

and, for other senior executives, to:

- 90 days payment in lieu of notice and a termination payment calculated based on length of service and capped at 12 months fixed annual remuneration including the payment in lieu of notice.

All of the payments for other senior executives are based on the total fixed annual remuneration.

Corporate Secretary

The corporate secretary has a dual reporting role as Corporate Secretary and General Manager Government Affairs. The Corporate Secretary & General Manager Government Affairs is a member of the Executive Committee and reports to Executive General Manager, Corporate Affairs & People.

The Corporate Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board. The corporate secretary is also responsible for advising the Board, through the chair, on all corporate governance matters, as well as helping to organise and facilitate the induction and professional development of directors, as required.

Diversity

Australia Post is committed to an inclusive workplace that values diversity, and our Diversity and Inclusion Strategy promotes improved diversity outcomes to foster an inclusive workplace culture and equal employment opportunities (EEO) for all. Managing diversity in Australia Post is a corporate objective and responsibility is vested in the Board, our Executive Committee, managers and employees.

Diversity in the workplace encompasses understanding, acceptance and respect for individual differences including ethnicity, gender, sexual orientation, age, disability, family status, religious beliefs, perspective, experience or other ideologies.

We recognise that maximising our people's skills and commitment better positions Australia Post to meet our business purpose and future challenges. Developing and managing an increasingly diverse workforce means recognising individual differences, contributions and needs in the workplace. It requires the implementation of practices that maximise respect for all individuals and that recognise the value that diversity brings to Australia Post.

While we define diversity in the broadest-possible sense, we formally measure and track our progress against five key areas: gender, Aboriginal & Torres Strait Islanders, people from culturally and linguistically diverse backgrounds, people with disability and Lesbian, Gay, Bi-sexual, Trans and Intersex (LGBTI).

Performance against each of these measures is disclosed in Australia Post's Diversity and Inclusion Annual Report, which is prepared in compliance with the Equal Employment Opportunity (Commonwealth Authorities) Act 1987 and presented to the Minister for Communications. The report is published on our website at www.auspost.com.au. Our 2014/2015 performance was:

	2014	2015
Aboriginal & Torres Strait Islander representation	1.5%	1.9%
Culturally & Linguistically Diverse	23.0%	25.5%
People with Disability	6.9%	6.3%
Lesbian, Gay, Bisexual, Transgender and Intersex people	N/A	0.9%
Female representation	38.9%	38.7%
Female Executive Committee members	33.3%	37.5%
Female Bands 1–4	34.1%	33.3%
Women in Management	36.2%	35.5%
Female Postal Manager	47.6%	50.9%
Female Facility Manager	25.3%	30.8%
Female Delivery Manager	19.9%	15.9%

Board and Individual Directors Evaluation

The Board regularly reviews its own performance and the performance of individual directors. An externally facilitated Board performance appraisal is undertaken every two years, focusing on Board, Board Committees and individual director effectiveness. The most recent review was conducted in May 2014. It was facilitated by an independent Board performance consultant and included interviews with, and the completion of a Board evaluation survey, by all of the directors and all of the Executive Committee members.

The results of the Board evaluation were discussed at a meeting of the Board of Directors. The chairman also met separately with each director to discuss the director's own performance. The Board agreed to accept the Board evaluation report and implement ongoing improvements, as part of its ongoing development and learning.

Board Committee Evaluation

The Audit & Risk Committee and Human Resources Committee charters state that in order to ensure that the committees are fulfilling its duties, its performance will be assessed annually against the requirements of the Charter and reported to the Board.

In 2014/2015 the Audit & Risk Committee and Human Resources Committee achieved their requirements as per the charters.

Executive Committee evaluation

Executive team performance evaluations have been conducted for the year ended 30 June 2015. Refer to page 58 for further details.

Principle: Structure the Board to add value

(based on ASX Principle 2)

The APC Act provides that the Board of Australia Post comprises up to nine directors, including the chairperson, the deputy chairperson, the managing director and not more than six other directors. As at 30 June 2015, the Board comprised of seven non-executive directors and one executive director. The executive director is Australia Post's Managing Director & Group CEO, Ahmed Fahour. The Hon. Trish White and Mr Paul O'Sullivan resigned as directors on 15 August 2014 and 5 December 2014 respectively.

The directors of Australia Post, at any time during the financial year, are listed with a brief description of their qualifications and experiences on pages 6 to 7 of the 2015 Integrated Annual Report.

The Board met eight times during the financial year. Directors' attendances are set out on page 58 of the 2015 Integrated Annual Report.

The Board has established three Committees:

- Human Resources Committee;
- Nomination & Remuneration Committee; and
- Audit & Risk Committee.

Each committee has a charter which is reviewed periodically. The committees are also part of the Board evaluation process. The Board committee charters are available at auspost.com.au.

Board and committee meeting timetables are agreed annually in advance. The Corporate Secretary sets the timetables in consultation with the Board and committee members.

Human Resources Committee

The Human Resources Committee provides a governance framework for the consideration of strategic matters relating to Australia Post's people and culture. Key matters that the committee particularly addresses and makes recommendations to the Board about, as appropriate, are:

- recruitment, selection and remuneration;
- occupational health and safety;
- culture, ethics and enterprise engagement;
- learning and development;
- terms and conditions of employment, including workplace and industrial relations; and
- organisational structure.

The committee as at 30 June 2015 comprised four members: Brendan Fleiter (Chair), Ahmed Fahour, Michael D'Ascenzo AO and Dominique Fisher.

The committee meets four times a year. Meeting attendance details for 2014/15 are provided in the table on page 58.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee provides shareholder ministers with recommendations on Board composition and membership, and performance and succession management for the Managing Director & Group CEO.

Specifically, the role of the committee is to:

- provide to shareholder ministers a recommendation on Board composition and membership;
- develop an annual Board plan;
- undertake a Board effectiveness review, approximately every two years, which will form the basis of a submission to shareholder ministers;
- inform shareholder ministers prior to a vacancy on the Board or in the role of the Managing Director & Group CEO;
- ensure that Australia Post's performance, remuneration, and succession practices for the Managing Director & Group CEO are coherent, fair and reasonable and consistent with applicable provisions regarding remuneration and disclosure as set out in the GBE guidelines and relevant legislation and statutory requirements;
- review and make recommendations to the Board regarding remuneration levels for the Managing Director & Group CEO;
- review and make recommendations to the Board regarding corporate goals, objectives and short and long-term incentive programs relevant to the Managing Director & Group CEO;
- assess the performance of the Managing Director & Group CEO in light of the objectives determined;
- ensure that the recommendations in relation to the Managing Director & Group CEO's KPIs encourage behaviour consistent with the cultural pillars and support Australia Post's long-term financial soundness, growth and success within an appropriate risk management framework;
- establish and maintain succession arrangements for the Managing Director & Group CEO;
- consider the Managing Director & Group CEO's recommendations around recruitment, performance, remuneration and succession arrangements for executive general managers and the management committee; and
- review policies to ensure alignment with duties set out in the PGPA Act.

The Managing Director & Group CEO is entitled to attend meetings of the committee, but will be excused when his remuneration or performance is discussed.

The committee currently comprises five non-executive and independent directors – John Stanhope (Chair), Susan Bitter, Peter Carne, Brendan Fleiter and Talal Yassine OAM.

The committee met five times during the year. Details of directors' attendances are set out on page 58 of this annual report.

Audit & Risk Committee

The Audit & Risk Committee's primary focus is to assist the Board to discharge its responsibilities under the APC Act and PGPA Act.

In particular the committee will assist the Board in its oversight role and review of financial reporting, performance reporting, system of risk oversight and management, system of internal control and auditor independence and performance.

The committee consists entirely of non-executive directors, with the majority being independent directors. However, the chair of the Board is not to be a member of the committee in accordance with the PGPA Act. It will have a minimum of three members, all of which are financially literate and at least one of whom should possess accounting or related financial qualifications and experience.

The committee as at 30 June 2015 comprised three members – Peter Carne (Chair), Susan Bitter and Brendan Fleiter.

Further details on the qualifications and experience of all committee members are disclosed on pages 6 to 7.

In the conduct of its activities the committee focuses in particular on the areas of financial reporting, enterprise risk management and internal controls. Among other things it will:

- review the financial reports prior to their consideration by the Board;
- consider any issues relating to the corporation's performance;
- satisfy itself that management is ensuring an appropriate organisational culture committed to ethical and lawful behaviour and risk management;
- monitor whether management has in place comprehensive and relevant policies and procedures designed to maintain an effective internal control framework;
- assess the plans of the external auditors; and
- review the annual internal audit plan.

The Managing Director & Group CEO, Group Chief Operating Officer, Chief Risk Officer, Group Chief Financial Officer, Group Financial Controller, Internal Auditor, External Auditor and other management representatives may attend meetings as advisors or observers, but will not be members of the committee. Any director (including the Chair of the Board) who is not a member of the committee will have the right to attend meetings of the committee as an observer.

Prior to each meeting, the committee will convene privately (without management in attendance) in separate sessions with the External Auditor, Internal Auditor, Group Chief Financial Officer and Chief Risk Officer.

The committee met four times during the year. Details of directors' attendances appear on page 58.

Board skills

The most recent Board Performance Review confirmed that there is currently a good mix of skills and experience on the Australia Post Board, and that every Board member brings a different perspective to the table, including relevant commercial acumen. There is also a strong Board culture to enable the mix of skills and experiences on the Board.

The skill sets that were identified among Board members include:

- significant IT and digital retailing/service experience;
- international logistics experience;
- experience in successfully leading major transformation programs;
- significant retail management skills;
- detailed financial and risk management skills associated with complex organisations and structures;
- people, industrial relations and culture skills;
- CEO experience and commercial acumen in complex environments.

Independent directors

Australia Post considers a director to be independent if the director is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the entity and its shareholders generally.

In determining whether a director is independent, the Board has considered whether the director:

- is, or has been, employed in an executive capacity by Australia Post or any of its subsidiaries and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- is, or has been within the last three years, a partner, director or senior employee of a provider of material professional services to the entity or any of its child entities;
- is, or has been within the last three years, in a material business relationship (for example, as a supplier or customer) with Australia Post or any of its subsidiaries, or an officer of, or otherwise associated with, someone with such a relationship;
- has a material contractual relationship with Australia Post or its subsidiaries other than as a director;
- has close family ties with any person who falls within any of the categories described above; or
- has been a director of Australia Post for such a period that his or her independence may have been compromised.

In addition, the chairman is appointed by the Governor-General on the nomination of the portfolio Minister. The Board is satisfied that Australia Post's chairman, John Stanhope is, and was throughout the entirety of the financial year, independent. The position of Managing Director & Group CEO was held by Ahmed Fahour.

Directors who may have a material personal interest in a matter to be considered by the Board or a Board committee are required to make the nature of that interest known, and must not be present while the matter is being considered. Details of such disclosures are recorded in the minutes of the meeting.

If the Board or a Board committee is due to consider an issue that may present a director with a potential conflict of interest, the director in question will not be provided with the associated background material.

The Board has determined that each non-executive director is, and was throughout the entirety of the financial year, independent.

Directors have unfettered access to Australia Post records and information reasonably necessary to fulfil their responsibilities. Directors also have access to the Corporate Secretary on any matter relevant to their role as director. In addition, the Board has access through the Corporate Secretary to other relevant senior executives to seek additional information concerning Australia Post's business.

Provided they have prior agreement from the chairman, directors have the right to obtain relevant independent professional advice (at the corporation's expense) in connection with the discharge of their responsibilities. During the financial year, Australia Post reviewed the directors' and officers' insurance cover provided to Australia Post's directors and officers. The associated fee was covered as part of the annual management of the overall corporate insurance program and associated insurance broking services.

It is common practice for the non-executive directors to confer, without management being present, at the start of each scheduled Board meeting.

Details regarding the length of service of each director are disclosed on pages 6 to 7.

Directors Induction Program

All new directors receive a formal letter of appointment from Shareholder Ministers and an induction pack. The induction pack contains sufficient information to allow the new director to gain an understanding of:

- the ministerial powers granted to the portfolio minister;
- the rights, duties and responsibilities of directors;
- the role of Board committees;
- the roles and responsibilities of the Executive Team; and
- Australia Post's financial, strategic, and operational risk management position.

New directors undertake an induction program which comprises:

- an information pack that includes a copy of Australia Post's Governance Framework; Commonwealth Government Business Enterprise Governance and Oversight Guidelines; *Australia Postal Corporation Act 1989; Public, Governance, Performance and Accountability Act 2013*; the most recent Corporate Plan; the most recent annual report; our organisational chart; insurance and indemnity details pertaining to Australia Post's Directors and Officers Insurance policy; and
- a program of meetings with Australia Post's chairman, Managing Director & Group CEO, members of the Executive Committee and the Corporate Secretary.

Principle: Act ethically and responsibly

(based on ASX Principle 3)

At Australia Post we conduct our business as a good corporate citizen. We respect our stakeholders and conduct ourselves with integrity, in compliance with all relevant laws, regulations, codes, corporate policies and procedures.

Importantly, we behave in accordance with our culture pillars: Safety, Accountability, Customer Focus and Speed of Action.

Everything we do can have social, environmental and economic impacts. In fact, our long-term commercial success – our own sustainability – depends on what we do and how we do it.

Australians trust Australia Post to deliver their mail as well as a number of everyday services such as bill payment and identification checks through our vast retail network which places us at the heart of communities across the country.

It is imperative that all representatives of Australia Post act in an ethical way so we continue to preserve and grow the trust that Australian's have in our brand. When we demonstrate ethical behaviour, we show respect for each other, our customers and the community.

The *Australia Post Our Ethics* booklet details the ethical standards of expected behaviour that help guide us through possible ethical dilemmas and lead by example in our dealings with customers, suppliers, the corporation and each other.

While our managers and supervisors have a responsibility to foster a culture in which ethical conduct is valued, recognised, demonstrated and expected, all employees are accountable for demonstrating the culture pillars in their daily duties to help make Australia Post a better place to work and ensure a strong future for our organisation.

Over the next year, we are committed to living by our set of shared values. These shared values reflect an evolution of our culture pillars for our new strategy, and are relevant for our entire workforce. We are at our best when we are Being Safe Everywhere, Respecting Everyone, Helping Each Other, Improving Everyday and Delighting our Customers.

Under Australia Post's whistleblower policy, which reflects the requirements of the Public Interest Disclosure Act, an independently operated contact service is in place to facilitate the confidential disclosure of serious breaches of ethical standards.

Competition and consumer law

Australia Post is committed to conducting its business fairly, ensuring all information about our products and services is clear and not misleading and legislative requirements under the *Competition and Consumer Act 2010* (Cth) are met.

To ensure our people clearly understand their responsibilities in this area, we have a national Competition and Consumer Law compliance program. This includes comprehensive competition and consumer law training for relevant employees every two years, and a formal clearance process for all promotional and advertising material.

In 2014/2015 no fines were issued against Australia Post and there were no reported incidents of material non-compliance with the relevant legislation.

Protecting privacy

Australia Post has a Chief Privacy Officer who is accountable for maintaining the Australia Post Group National Privacy Compliance program. This program aims to ensure that our policies and procedures comply with privacy legislation. It also acts to safeguard our customers' personal information and foster a corporate culture that values privacy.

Australia Post is committed to meeting the legislative requirements associated with personal information. We handle large volumes of data and have a corporate responsibility to treat this data with the respect and confidentiality it requires.

Our commitment has been reflected in a number of privacy-related initiatives that are underpinned by the implementation of class-leading technology security solutions and standards together with ensuring that we only engage with suppliers who share our dedication to effectively manage our personal information commitments.

During the financial year there were no determinations made against Australia Post by any of the federal, state or territory privacy commissioners.

Group security

The Australia Post Security Group is an internal service function that provides security and crime-risk intelligence advisory and investigation services for Australia Post, and its subsidiaries. The Group is chartered to identify, analyse and advise on mitigation strategies for all security and crime risks relevant to Australia Post's people, property, information and reputation. This specialist group maintains close internal working relationships with the office of the Chief Information Security Officer, as well as with the legal, risk and compliance, and internal audit units. Group Security also liaises externally with international, national, state and territory law enforcement services and criminal intelligence agencies.

As the protection of our customers' trust is paramount, we have a comprehensive information security strategy in place to ensure the continued protection of our business and customer data. It has a number of key components including protecting Australia Post's customers, brand and confidential information; supporting the development of secure products and services; implementing best-practice information security governance, operations and services; building a secure technology environment to enable an agile business; and creating a security-aware culture.

This strategy is supported by a national fraud-control policy and the corporation's Our Ethics policy.

Principle: Safeguard integrity in corporate reporting

(based on ASX Principle 4)

Audit & Risk Committee

The Audit & Risk Committee assists the Board through its oversight and review of financial reporting, performance reporting, system of risk oversight and management, system of internal control and auditor independence and performance.

See page 52 for more information on the Audit & Risk Committee.

Internal audit

Australia Post's internal audit service brings a systematic and disciplined approach to risk management, control and governance processes. Empowered by the Board to direct a wide-ranging program of internal auditing, it has full and unrestricted access to all functions, property, personnel, records, accounts, files and other documentation.

The internal audit work program is endorsed annually by the Audit & Risk Committee, with results, progress and performance regularly reviewed by both the committee and the external auditors.

The internal auditor also meets privately with the committee before each meeting.

External audit

Under Section 43 of the PGPA Act, the Auditor-General is responsible for auditing the financial reports of Australia Post and its subsidiaries. The Auditor-General is also responsible for auditing compliance with the performance standards prescribed for Australia Post under Section 28C of the APC Act. Ernst & Young (E&Y) has been retained by the Australian National Audit Office to assist in both of these assignments.

The Board has in place a comprehensive set of audit independence principles in relation to the external auditors. Among other things, these principles exclude the engagement of the external auditors for the provision of certain non-statutory, audit-related services, such as internal auditing, taxation planning, treasury policy and operations, and business and strategic planning. In addition, the senior audit partner on the corporation's account must be rotated at least every five years. However, under circumstances where the involvement of key personnel in the audit of the corporation does not constitute a familiarity threat, the Australian National Audit Office (ANAO) may extend the rotation of the senior audit partner to a maximum of seven years.

The Audit & Risk Committee together with the ANAO monitor the ongoing non-statutory audit-related services provided by E&Y.

Management internal control sign-off

Prior to the adoption of the half-year or full-year financial reports, the Board received and considered a written statement from the Managing Director & Group CEO and Group Chief Financial Officer to the effect that:

- with regards to the integrity of the financial report:
  - the financial report and notes thereto comply with International Financial Reporting Standards in all material respects;
  - the financial report and notes thereto give a true and fair view, in all material aspects, of the financial position and performance of the group;
  - the financial report and notes thereto are in accordance with the PGPA Act and Finance Minister's Orders; and
  - there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- With regard to risk management and internal compliance and control systems:
  - the financial report and notes thereto are founded on a sound system of risk management, internal compliance and control which is operating effectively and efficiently in all material aspects, consistent with the Australian Standard on Risk Management (AS/NZS ISO 31000:2009), Principle 7 'Recognise and Manage Risk' of ASX Corporate Governance Principles and policies adopted by the Board.

Principle: Make timely and balanced disclosure

(based on ASX Principle 5)

Australia Post's required disclosure obligations are prescribed from the provisions of the APC Act, the PGPA Act, and the *Commonwealth Government Business Enterprise Governance and Oversight Guidelines (2015).*

Australia Post is accountable to its shareholder ministers for its performance. We regularly disclose details to our shareholder ministers on performance, expenditure and any significant issues in a timely and balanced manner. We do this formally through our quarterly progress reports, annual report and website updates. This is in addition to responding to requests from Shareholder Departments on a regular basis.

Principle: Respect the rights of shareholders

(based on ASX Principle 6)

The Minister for Communications has portfolio responsibility for Australia Post. Under a dual shareholder model, overall responsibility for the enterprise is exercised jointly with the Minister for Finance.

Shareholder representatives and key stakeholders can access information about Australia Post on our website, auspost.com.au. The dedicated corporate governance section provides a detailed description of the corporation's governance framework and associated practices, with links to key documents.

Shareholder Relations Program

Australia Post has not established a formal shareholder communications policy. However, it does take appropriate measures to keep shareholder representatives informed about its activities on a regular basis. Engagement with shareholders occurs during fortnightly teleconferences, quarterly face-to-face meetings, meetings upon request and responses to any enquiries made from time to time.

While Australia Post has not established any formal shareholder policies or processes regarding facilitation and participation at meetings, it does set agendas in consultation with the shareholder to ensure that all required discussion topics are set down for discussion.

Australia Post communicates with its shareholders via a number of different communications channels, which include digital and physical methods.

In addition, Australia Post effectively engages with our stakeholders, who have a high degree of influence over our business. Our primary stakeholder groups include customers, our workforce, government and the broader community. Other stakeholders include regulatory bodies, suppliers, industry organisations and peak bodies, environmental groups and the media. Throughout the year we undertake a number of activities to engage with each of our stakeholder groups.

Understanding our stakeholders

Getting to know our stakeholders by understanding their needs and how our business impacts them is critical to our success. Research activities are an effective way to obtain this information. For example, each year we conduct staff attitude

surveys and focus groups to understand our employees' views about our business. Comprehensive Voice of our Customer surveys across our consumer, small and medium-to-large business customer segments also help to inform us about customer satisfaction levels with valuable feedback and insight into how they view their relationship with our business.

These initiatives help us to improve our understanding of the business and facilitate a better experience for our people, customers and stakeholders when dealing with us.

An integrated approach to stakeholder engagement

Our integrated stakeholder model ensures that our business planning and decision-making processes consider the stakeholder groups they may affect. The model enables us to assess the risks and impacts in the early stages of a project to allow the implementation to be coordinated with other key enterprise projects, and to identify potential stakeholder conflicts before they occur.

Effective stakeholder engagement is a key enabler of our enterprise strategy and is embedded and integrated across the corporation through a number of key business forums.

Principle: Recognise and manage risk

(based on ASX Principle 7)

Audit & Risk Committee

The Audit & Risk Committee assists the Board through its oversight and review of financial reporting, performance reporting, system of risk oversight and management, system of internal control and auditor independence and performance.

See page 52 for more information on the Audit & Risk Committee.

Recognising and managing risk

The Board has established a comprehensive Group Risk Management Policy (the "Policy").

The Policy provides guidance on risk-management practices and adds clarity to the management and director roles and responsibilities, both for developing and administering the Policy, and for implementing risk-management processes. This Policy and any associated processes are consistent with the principles of the International Standards for Risk Management (ISO 31000:2009) & Compliance Management Systems (ISO 19600:2014), and the ASX Corporate Governance Principles and Recommendations (Principle 7: Recognise and Manage Risk).

The Policy describes a three-lines of defence principles-based approach to risk management at Australia Post to ensure consistency with frameworks and processes as stated in the annual report. Specific details concerning the core risk-management components are set out in the Australia Post Group Risk Management Framework (the "Framework"). The Framework has also been developed to support compliance with the applicable risk management framework obligations as specified in the PGPA and applicable supporting elements of the Federal Department of Finance's Commonwealth Risk Management Policy.

Under the Framework all business units maintain a risk profile detailing their material business risks, associated controls and mitigation strategies.

Risk appetite is a key element of the Board's approach to the management of risk and a Board Risk Appetite Statement has been developed that provides overarching principles of the level of risk that Australia Post is willing to accept in the pursuit of its objectives.

The status of Tier 1 (significant) risks, along with any material emerging risks, are reported to the Enterprise Risk Management Forum, the Executive Committee and the Audit & Risk Committee each quarter. The status of each major compliance program is provided annually to the Audit & Risk Committee. To support increased awareness and understanding of the corporation's Tier 1 risk profile, the Audit & Risk Committee undertakes a Risk Deep Dive at each meeting.

Risk identification, measurement and mitigation strategies are included in all business-related proposals considered by the Board. There are also a number of additional programs in place to manage risk in specific areas such as fraud, physical security, employment practices, environment, injury prevention and management, regulatory compliance, information security and privacy, financial (including market risk), third-party providers, governance, projects, IT, emergency procedures and business-continuity planning.

Australia Post maintains adequate insurance cover to manage the potentially adverse financial impacts associated with catastrophic risk exposures. The insurance program is reviewed and amended annually to ensure it is capturing emerging and previously identified significant business risks.

The Board conducts an annual review of the corporation's risk policy and supporting framework to maintain its effectiveness and adequacy. Independent external reviews of risk management are undertaken every four years to ensure better practice is maintained. The most recent such review was undertaken by PwC and presented to the Audit & Risk Committee in February 2014.

Internal control framework

Australia Post's internal control includes strategic, financial, operational and compliance elements. Controls are embedded within financial planning and reporting, commitment and expenditure delegations, due diligence, procurement contract tendering, expenditure gating, external performance reporting and corporation-wide risk management and internal audit practices. Financial reporting and business system integrity are assured through the maintenance of extensive operating procedure policies and practices.

Before adopting the annual financial reports, the Board receives written confirmation from the Managing Director & Group CEO and Group Chief Financial Officer that the integrity of the statements is founded on sound systems of risk management, compliance and internal control, and that all material risks have been managed effectively.

Corporate responsibility

Australia Post's Corporate Responsibility program is an important element of the corporation's strategy.

At the heart of our approach to corporate responsibility is the notion of "creating shared value" for both Australia Post and the communities we serve. Our social purpose is a long-term commitment to create value for and with Australian communities. Every day we help citizens, communities, businesses and government connect with each other across the country, regardless of their size and where they are

located, fulfilling our purpose to help our people, customers, and communities build a better future – everyone, everywhere, everyday.

Through our actions we aim to drive tangible business benefits for Australia Post and at the same time build social, environmental and economic value for Australia.

The Corporate Responsibility Policy that underpins this approach provides for clear accountability in meeting the program's goals and objectives. The policy's key objectives are to:

- be a purpose and values lead organisation that is open and accountable to the Australian community and our shareholder;
- give meaningful consideration to societal and environmental impacts of our organisation and how we can create "shared value";
- build strong and enduring relationships with our people, customers, community and shareholder; and
- drive inclusion, prosperity and self-reliance of Australian communities.

Our corporate responsibility performance is reported periodically to management as well as the Board and the Australia Post Stakeholder Council. Formal corporate responsibility reporting occurs annually through the annual report.

Corporate responsibility is embedded and integrated across the corporation through key business focus groups. Our workforce needs and subsequent programs are governed by the Human Resources Committee. The Australia Post Stakeholder Council, which provides an external perspective to the Corporate Responsibility program, comprises representatives ranging from small, medium and large business, direct marketing, corporate responsibility and senior Australia Post executives.

Responsible sourcing

Australia Post conducts its business with integrity and ensures compliance with all relevant laws, regulations, policies and procedures. Our comprehensive Code of Ethics clearly defines the standards of behaviour expected from our employees and business partners to operate ethically and with integrity when purchasing goods and services, and working with suppliers.

Australia Post's Supplier Code of Conduct specifies that social and environmental outcomes are considered when choosing suppliers. Under the code, suppliers are expected to demonstrate a commitment to human rights, fair employment practices and environmental responsibility in accordance with existing international standards, such as the United Nationals Universal Declaration of Human Rights, the International Labour Organization Declaration on Fundamental Rights at Work, and the United Nationals Convention on the Rights of the Child. Our commitment to environment sustainability requires all suppliers to comply with all applicable environmental laws and regulations, conduct their business in a manner that protects the environment and have an environmental management program that takes responsibility for goods and services throughout their lifecycle to minimise the impact of activities on the environment.

Treasury

A comprehensive and prudent treasury policy exists to manage cash and liquidity, interest rates, foreign exchange, fuel price, counterparty and operational risks. Reviewed by the Board at least annually, the policy provides for the use of hedging instruments to protect the corporation against adverse movements in interest rates and minimise the impact of volatility of foreign exchange rate and oil price movements. The aim is to ensure reasonable certainty against budget estimates and in the cost of imported capital equipment and other supplies.

Established procedures incorporate risk-control principles of segregation of duties, dual control access and independent reconciliations. An internal Asset and Liability Committee meets monthly and reviews or recommends appropriate hedging strategies to the Group Chief Operating Officer and Group Chief Financial Officer in accordance with policy parameters. Treasury activities are reported quarterly to the Board and are subject to review by auditors as part of the annual external audit process. Breaches to the Treasury policies require prompt disclosure to the Audit & Risk Committee.

Taxation

Australia Post manages its taxation obligations in all jurisdictions in which it operates in accordance with the Board-approved Risk and Compliance Framework.

In implementing its corporate strategy, Australia Post abides by a set of documented corporate tax policies and procedures that ensure full and transparent compliance with its taxation obligations.

The five core drivers of our corporate tax operating framework are:

- maintain full compliance – we will ensure full compliance with all statutory tax obligations and seek to pay the legally correct amount of tax wherever the Australia Post Group operates.
- maximise shareholder value – we will manage the tax affairs of the Australia Post Group in a proactive manner and seek to maximise shareholder value in relation to the taxation consequences of implementing the overall group strategy;
- manage risk – we will maintain documented policies, procedures and positions in relation to tax-risk consequences of business strategy within the Corporation's Enterprise Risk and Compliance Framework taking into account the implications for the Group's corporate reputation as a trusted iconic brand. All identified risks and tax exposures will be tracked and reported to the Group Chief Operating Officer and the Group Chief Financial Officer where material;
- maintain openness and transparency – we will maintain an open and honest relationship with revenue authorities and consult appropriately with them in accordance with the Tax Code of Conduct; and
- build assurance – we will provide the Board, Managing Director & Group CEO, Group Chief Operating Officer, Group Chief Financial Officer, senior management and other key stakeholders with assurance that the Australia Post Group's tax is being managed in accordance with its tax policies.

Principle: Remunerate fairly and responsibly

(based on ASX Principle 8)

Nomination & Remuneration Committee

The Nomination & Remuneration Committee provides shareholder ministers with recommendations on Board composition and membership, and performance and succession management for the Managing Director & Group CEO.

See page 52 for more information on the Nomination & Remuneration Committee.

Director remuneration

Remuneration for Australia Post's non-executive directors is determined by the Commonwealth Remuneration Tribunal. For 2014/2015 this was:

Chairman	$178,940
Deputy Chairman	$99,860
Directors	$89,500
Audit & Risk Committee Chairman	$20,700
Audit & Risk Committee member	$10,360

Total amounts received or receivable in 2014/2015 by each non-executive director is provided in Note C2 to the financial reports (see page 86).

Executive remuneration

The Board is responsible for setting the remuneration arrangements for the Managing Director & Group CEO.

Remuneration arrangements for other senior executives are reviewed and determined by the Managing Director & Group CEO within parameters set by the Human Resources Committee and the Nomination & Remuneration Committee.

Advice is sought annually from independent specialised remuneration consultants on the:

- structure of remuneration packages applying in the external market; and
- quantum of increases that have occurred in comparable Australian corporations over the previous 12 months.

On the basis of this advice, the Managing Director & Group CEO ensures that payments to senior executives are in line with market practice, and that they are competitively placed to attract and retain the necessary talent for the work required by these roles.

Incentive rewards payable to the Managing Director & Group CEO and other senior executives for meeting or exceeding specific key annual business objectives are linked to the annual business planning process at a corporate and individual level. Measures and targeted achievement levels are monitored and reviewed annually to reflect changes in the business priorities for the forthcoming year. The measures include safety, financial, strategy and execution, customer satisfaction, employee engagement and other individual metrics that support the key business objectives.

Before a reward is payable, a threshold must be reached, according to predefined measures. In the case of the Managing Director & Group CEO and some senior executives, part of their incentive payment is deferred and expensed over the deferral period.

Remuneration details for the Managing Director & Group CEO and other key executives are provided in Note C2 to the financial reports (see page 86).

Directors' attendance at meetings – 2014/2015

	Board		Audit & Risk Committee		Human Resources Committee		Nomination & Remuneration Committee	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
John Stanhope	8	8	–	–	–	–	4	4
Ahmed Fahour	8	8	–	–	4	4	–	–
Brendan Fleiter	8	8	4	4	4	4	4	4
Susan Bitter	8	6	4	4	–	–	4	4
Peter Carne	8	8	4	4	–	–	4	4
Michael D'Ascenzo AO	8	8	–	–	4	4	–	–
Dominique Fisher	5	4	–	–	2	2	–	–
Paul O'Sullivan	–	–	–	–	–	–	–	–
The Hon. Trish White	1	1	–	–	–	–	–	–
Talal Yassine OAM	8	8	–	–	–	–	4	4

(a) Number of meetings held while a director/committee member
(b) Number of meetings attended
Note: Two Board meetings were held at Australia Post operating sites.


Financial and
statutory reports

Contents

		Page
Signed reports	Statement by directors, group chief executive officer and group chief financial officer	61
	Financial statements audit report	62
Financial statements	Consolidated statement of comprehensive income	64
	Consolidated balance sheet	65
	Consolidated statement of changes in equity	66
	Consolidated statement of cash flows	67
	Schedule of commitments	68
Notes to the financial statements	About this report	69–105

Our financial performance	Our asset platform	Our people	Our funding structure and management of our risks	Other information
A1 Segment information	B1 Receivables	C1 Employee provisions	D1 Capital management	E1 Our subsidiaries
A2 Revenue and other income	B2 Property, plant and equipment	C2 Senior executive and director remuneration and retirement benefits	D2 Managing our financial risk	E2 Leases
A3 Expenses	B3 Intangible assets	C3 Post employment benefits	D3 Using derivatives to hedge risk	E3 Australian Postal Corporation
A4 Taxation	B4 Impairment of non-financial assets		D4 Fair value measurement	E4 Auditors' remuneration
A5 Cash flows	B5 Investment property			E5 Contingencies
A6 Dividends	B6 Payables			E6 Other accounting policies
	B7 Other provisions			

Other important information	Community service obligations	107
	Auditor-General's report - performance standards	108
	Domestic letter service monitor (TNS)	110
	Survey certification	112
	Reserved/Non-Reserved services	114
	Statutory reporting requirements index	115
	Statutory reporting requirements	118
	Australia Post – the statistics	123
	Index	125
	Reporting aims and rationale	127
	Glossary	128
	About this report	129

Statement by directors, group chief executive officer and group chief financial officer

2014–15 Financial Statements

In our opinion:

(a) the accompanying financial statements for the year ended 30 June 2015:

- (i) present fairly the entity's financial position, financial performance and cash flows;
- (ii) comply with the accounting standards and any other requirements prescribed by the *Public Governance, Performance and Accountability Act 2013* and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (iii) have been prepared based on properly maintained financial records.

(b) at the date of this report, there are reasonable grounds to believe that the group will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the directors.

J V Stanhope Chairman Melbourne 27 August 2015	A Fahour Managing Director & Group CEO Melbourne 27 August 2015	J Hopkins Group Chief Financial Officer Melbourne 27 August 2015

2014–15 Financial Report Certification

Prior to the adoption of the 2014–15 financial statements, the board received and considered a written statement from the Managing Director & Group CEO and Group Chief Financial Officer that in their opinion:

- the financial records of the corporation and the consolidated entity have been properly maintained;
- the statements comply with the accounting standards and any other requirements prescribed by the *Public Governance, Performance and Accountability Act 2013* and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* and present fairly the entity's financial position, financial performance and cash flows; and
- integrity of the financial statements is founded on a sound system of risk management and internal control which is operating effectively.

JV Stanhope
Chairman

Melbourne
27 August 2015

2014–15 Report of Operations

In the opinion of the directors, the requirements under section 46 of the *Public Governance and Performance Accountability Act 2013* for the preparation and content of the "report of operations" as specified in orders issued by the Minister for Finance are met in the general body of this report (pages 1–47) and in the statutory report (pages 115–122).

This statement is made in accordance with a resolution of the directors.

J V Stanhope
Chairman

Melbourne
27 August 2015

Financial statements audit report

Auditor-General for Australia

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Communications

I have audited the accompanying financial statements of the Australian Postal Corporation and its controlled entities for the year ended 30 June 2015, which comprise:

- Statement by the directors, Group chief executive officer and Group chief financial officer;
- Consolidated statement of comprehensive income;
- Consolidated balance sheet;
- Consolidated statement of changes in equity;
- Consolidated statement of cash flows;
- Schedule of commitments; and
- Notes to the financial statements.

The consolidated entity comprises the Australian Postal Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Accountable Authority's Responsibility for the Financial Statements

The directors of the Australian Postal Corporation are responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The directors are also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In the Note to the financial statements entitled 'About this report', the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

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judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of the Australian Postal Corporation and its controlled entities:

(a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*;

(b) present fairly the financial position of the Australian Postal Corporation and its controlled entities as at 30 June 2015 and its financial performance and cash flows for the year then ended; and

(c) comply with International Financial Reporting Standards.

Australian National Audit Office

Grant Hehir
Auditor-General

Canberra
27 August 2015

Consolidated statement of comprehensive income

for the year ended 30 June 2015

Consolidated ($m)	Note	2015	2014
Revenue			
Goods and services	A2	6,252.5	6,210.3
Interest	A2	5.3	10.2
	A2	6,257.8	6,220.5
Other income			
Rents	A2	42.5	38.7
Other income and gains	A2	73.5	124.1
	A2	116.0	162.8
Total income	A1, A2	**6,373.8**	**6,383.3**
Expenses (excluding finance costs)			
Employees	A3	2,784.2	2,865.1
Suppliers	A3	3,104.9	2,926.4
Depreciation and amortisation	A3	340.1	295.6
Other expenses	A3	465.7	153.0
Total expenses (excluding finance costs)	A3	**6,694.9**	**6,240.1**
(Loss)/profit before income tax, finance costs and share of net profits of joint venture		**(321.1)**	**143.2**
Finance costs	A3	(31.3)	(40.2)
Share of net profits of joint venture		0.3	–
(Loss)/profit before income tax		**(352.1)**	**103.0**
Income tax benefit/(expense)	A4	130.4	13.2
Net (loss)/profit for the year attributable to equity holders of Australian Postal Corporation		**(221.7)**	**116.2**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	C3	531.1	156.2
Other items		–	0.3
Income tax on items that will not be reclassified to profit or loss	A4	(159.3)	(46.9)
Total items that will not be reclassified to profit or loss, net of tax		**371.8**	**109.6**
Items that may be reclassified subsequently to profit or loss			
Other items		(0.5)	(2.8)
Total items that may be reclassified to profit or loss, net of tax		**(0.5)**	**(2.8)**
Other comprehensive income for the year		**371.3**	**106.8**
Total comprehensive income for the year attributable to equity holders of Australian Postal Corporation		**149.6**	**223.0**

This statement should be read in conjunction with the accompanying notes.

Consolidated balance sheet

as at 30 June 2015

Consolidated ($m)	Note	2015	2014
Assets			
Current assets			
Cash and cash equivalents	D1	415.1	418.6
Trade and other receivables	B1	483.4	513.1
Accrued revenues		158.4	141.4
Prepayments		97.6	114.3
Inventories		48.2	48.5
Other current assets		1.5	1.5
Total current assets		**1,204.2**	**1,237.4**
Non-current assets			
Finance lease receivable	E2	96.8	96.8
Net superannuation asset	C3	612.9	47.8
Property, plant and equipment	B2	1,595.3	1,607.2
Intangible assets	B3	938.9	1,112.7
Investment property	B5	200.0	192.1
Deferred tax assets	A4	413.5	333.2
Other non-current assets		31.6	24.0
Total non-current assets		**3,889.0**	**3,413.8**
Total assets		**5,093.2**	**4,651.2**
Liabilities			
Current liabilities			
Trade and other payables	B6	947.4	883.0
Employee provisions	C1	653.0	707.0
Other provisions	B7	58.9	60.1
Other current liabilities		18.4	19.9
Total current liabilities		**1,677.7**	**1,670.0**
Non-current liabilities			
Interest-bearing liabilities	D2	713.7	713.9
Employee provisions	C1	353.2	160.8
Other provisions	B7	54.0	70.2
Deferred tax liabilities	A4	320.7	225.3
Other non-current liabilities		61.6	48.3
Total non-current liabilities		**1,503.2**	**1,218.5**
Total liabilities		**3,180.9**	**2,888.5**
Net assets		**1,912.3**	**1,762.7**
Equity			
Contributed equity		400.0	400.0
Reserves		7.2	7.7
Retained profits		1,505.1	1,355.0
Parent interest		1,912.3	1,762.7
Total equity		**1,912.3**	**1,762.7**

This statement should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity
for the year ended 30 June 2015

Consolidated ($m)	Contributed equity	Reserves	Retained profits	Total equity
Balance at 30 June 2013	**400.0**	**10.3**	**1,271.7**	**1,682.0**
Comprehensive income				
Profit for the year	–	–	116.2	116.2
Other comprehensive income	–	(3.7)	156.2	152.5
Tax on other comprehensive income	–	1.1	(46.8)	(45.7)
Total comprehensive income for the year	**–**	**(2.6)**	**225.6**	**223.0**
Transactions with owners				
Distribution to owners (refer to note A6)	–	–	(142.3)	(142.3)
Balance at 30 June 2014	**400.0**	**7.7**	**1,355.0**	**1,762.7**
Comprehensive income				
(Loss)/profit for the year	–	–	(221.7)	(221.7)
Other comprehensive income	–	(1.1)	531.1	530.0
Tax on other comprehensive income	–	0.6	(159.3)	(158.7)
Total comprehensive income for the year	**–**	**(0.5)**	**150.1**	**149.6**
Transactions with owners				
Distribution to owners (refer to note A6)	–	–	–	–
Balance at 30 June 2015	**400.0**	**7.2**	**1,505.1**	**1,912.3**

Ordinary shares are classified as equity. Reserves include Asset revaluation, Foreign currency translation and Hedging reserves.
This statement should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the year ended 30 June 2015

Consolidated ($m)	Note	2015	2014
Operating activities			
Cash received			
Goods and services		6,911.2	6,886.1
Interest		5.3	9.2
Total cash received		**6,916.5**	**6,895.3**
Cash used			
Employees		2,927.6	2,746.0
Suppliers		3,411.2	3,335.8
Financing costs		36.5	41.3
Income tax		14.7	59.7
Goods and services tax paid		247.8	250.8
Total cash used		**6,637.8**	**6,433.6**
Net cash from operating activities	A5	**278.7**	**461.7**
Investing activities			
Cash received			
Proceeds from sales of property, plant and equipment		66.6	240.1
Sundry items		1.1	4.3
Total cash received		**67.7**	**244.4**
Cash used			
Purchase for investment in controlled entities		7.9	–
Purchase of investment property		0.5	5.5
Purchase of property, plant and equipment		238.2	390.1
Purchase of intangibles		103.3	127.5
Total cash used		**349.9**	**523.1**
Net cash used by investing activities		**(282.2)**	**(278.7)**
Financing activities			
Cash received			
Proceeds from borrowings		–	425.0
Total cash received		**–**	**425.0**
Cash used			
Repayment of borrowings		–	340.0
Dividends paid		–	142.3
Total cash used		**–**	**482.3**
Net cash used by financing activities		**–**	**(57.3)**
Net increase/(decrease) in cash and cash equivalents		**(3.5)**	**125.7**
Cash and cash equivalents at beginning of the year		418.6	292.9
Cash and cash equivalents at end of the year		**415.1**	**418.6**

This statement should be read in conjunction with the accompanying notes.

Schedule of commitments
as at 30 June 2015

Consolidated ($m)	2015	2014
By type		
Commitments receivable:		
Lease rental receivables	93.1	97.0
Sub-lease rental receivables	79.5	50.9
Goods and Services Tax (GST) recoverable on commitments	241.1	258.3
Total commitments receivable	**413.7**	**406.2**
Commitments payable:		
Capital commitments:		
Land and buildings	32.6	93.4
Plant and equipment	116.3	29.2
Other	0.5	–
Total capital commitments	**149.4**	**122.6**
Other commitments		
Operating leases	759.3	779.4
Other commitments[1]	2,141.9	2,440.8
Total other commitments	**2,901.2**	**3,220.2**
Total commitments payable	**3,050.6**	**3,342.8**
Net commitments	**2,636.9**	**2,936.6**
By maturity		
Commitments receivable:		
Within one year	134.1	124.6
From one to five years	224.7	225.6
Over five years	54.9	56.0
Total commitments receivable by maturity	**413.7**	**406.2**
Commitments payable:		
Capital commitments due:		
Within one year	76.6	122.6
From one to five years	72.8	–
Over five years	–	–
Total capital commitments	**149.4**	**122.6**
Operating lease commitments due:		
Within one year	158.3	144.5
From one to five years	388.6	406.6
Over five years	212.4	228.3
Total operating lease commitments	**759.3**	**779.4**
Other commitments due:		
Within one year	927.5	963.8
From one to five years	1,213.9	1,473.8
Over five years	0.5	3.2
Total other commitments	**2,141.9**	**2,440.8**
Total commitments payable by maturity	**3,050.6**	**3,342.8**
Net commitments	**2,636.9**	**2,936.6**

1 The majority of these commitments relate to carriage and delivery of letters and parcels by contractors of $1,243.3 million (2014: $1,647.5 million). The remainder of the balance relates to other contractual commitments for expenditure for property management, technology and other services.

This consolidated schedule is prepared in accordance with the requirements of the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 published by the Department of Finance.

Notes to the financial statements

for the year ended 30 June 2015

About this report

This section outlines the basis on which the Group's financial statements have been prepared, including discussion on any new accounting standards or Government rules that directly impact financial statement disclosure requirements. In this section, we also outline significant events and transactions that have occurred during the year impacting the Group's financial position and performance.

The Australian Postal Corporation (the Corporation) is incorporated under the provisions of the Australian Postal Corporation Act 1989 as amended, and is an Australian Government owned for-profit entity. The nature of the operations and principal activities of Australia Post and its subsidiaries (referred to as 'the Group') are described in note A1 Segment information.

Australia Post headquarters:
111 Bourke Street
Melbourne VIC 3000
Australia

The consolidated general purpose financial statements of the group for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on 27th August 2015.

The consolidated financial statements are general purpose financial statements which:

- is required by clause 1 (a) of Division 4 subsection 42 of the Public Governance Performance and Accountability Act 2013 (PGPA Act);
- has been prepared in accordance with the requirements of the PGPA Act for reporting periods ending on or after 1 July 2014, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on an accrual basis and in accordance with the historical cost convention, except for investment property and derivative financial instruments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedge relationships, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged;
- is presented in Australian dollars with all values rounded to the nearest million dollars ($' 000,000) unless otherwise stated;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2014. Refer to note E6 for further details; and
- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to note E6 for further details.

Key judgements and estimates

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates and assumptions to future events. Judgements and estimates which are material to the financial statements are found in the following notes:

A2	International mail revenue	Page 73
B4	Impairment	Page 81
B5	Investment property	Page 82
B6	Unearned postage revenue	Page 83
B7	Other provisions	Page 84
C1	Employee provisions	Page 85
C3	Post employment benefits	Page 89

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) at year end is contained in note E1.

A subsidiary is an entity that the group controls. Control is deemed when the group is exposed to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are consolidated from the date on which control is obtained through to the date on which control ceases. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to align any inconsistent accounting policies that may exist.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Foreign currency translation

The functional currency of the corporation and its Australian subsidiaries is Australian dollars.

The Group has one overseas subsidiary, as discussed in note E1. On consolidation, that entity's:

- assets and liabilities are translated into Australian dollars at the rate of exchange prevailing at the reporting date; and
- the statement of comprehensive income is translated at exchange rates prevailing at the dates of the transactions.

The exchange rate differences arising are recognised in other comprehensive income.

Transactions in foreign currencies are initially recorded by the group at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in the fair value of the item.

Other accounting policies

Significant other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

The notes to the financial statements

The notes to the financial statements include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps explain the impact of significant changes in the Group, for example, acquisitions and restructuring activities;
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes have been grouped into sections to help readers understand how the Australia Post strategy, as outlined in pages 1 to 47 of the Annual report, is reflected in the financial performance and position of the Group. These sections comprise:

- **Our financial performance:** Our enterprise strategy focuses on reforming our letter services, and extending and building on our parcel and retail & agency service offerings. Our financial performance section provides the key financial performance measures of these business areas, as well as group level financial metrics incorporating revenue, taxation, cash flow and dividends.
- **Our asset platform:** Delivery of our enterprise strategy requires optimising the use of our balance sheet including streamlining and integrating certain operations. Our asset platform section outlines the key operating assets owned and liabilities incurred by the Group.
- **Our people:** To support the execution of our enterprise strategy we must embed culture and align and engage our workforce. This requires us to invest in our people so that we may achieve an inclusive and capable workforce. This investment includes remuneration activities outlined in this section of the financial report.
- **Our funding structure and management of our risks:** the Group is exposed to a number of market risks. Our funding structure and management of our risks section sets out the strategies and practices the Group utilises to minimise the exposure to these risks in order to execute our enterprise strategy in a safe way, as well as outlining the current Group funding structure.
- **Other information:** This section includes mandatory disclosures required by Australian Accounting Standards and the Commonwealth Government's Public Governance, Performance and Accountability (Financial Reporting) Rule 2015, all of which Australia Post must comply with.

Significant changes in the current reporting period

The financial performance and position of the Group has been particularly affected by the following material items during the year ended 30 June 2015:

- Letters restructuring costs of $200.1 million, which mainly comprises of $190.0 million of voluntary redundancy costs associated with our Reform program;
- Asset write-offs & impairments of $214.1 million following a comprehensive review of the carrying value of assets of the group; and
- Remeasurement of the defined benefit superannuation net asset of $565.1 million following an independent actuarial reassessment at balance date.

Events after balance date

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in future financial years.

Our financial performance

This section analyses the financial performance of the Group and the Parcel Services, Retail & Agency Services and Mail Services segments for the year ended 30 June 2015. The focus is on business area performance, Group revenue streams, taxation and dividend performance. Certain operational expenses such as impairments are disclosed in the notes with the associated operating asset or liability in the Our asset platform section. Employee related expenses are disclosed in the Our people section.

A1 SEGMENT INFORMATION

The Group's operating segments are organised and managed based on the manner in which the product is sold and the nature of the services provided. The executive management committee (the chief operating decision makers) monitors the results of the business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment, computer software and goodwill, net of related provisions.

Segment liabilities consist primarily of trade and other creditors, employee entitlements and advance receipts.

The previous Retail segment has been renamed to Retail & Agency Services in line with current internal reporting. In addition, certain products have been realigned to different segments in the current period to better reflect the way the business unit results are analysed internally. Comparatives have been restated for this change.

The following represents the primary segments the Group operates in:

Parcel Services
The processing and distribution of parcel and express products along with freight forwarding operations.

Mail Services
The collection, processing and distribution of mail items.

Retail and Agency Services
Providing services across identity, digital, receiver and agency service offerings, as well as the sale of financial and retail merchandise products.

Unallocated and eliminations
If items of revenue and expense are not allocated to the core operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent. The following are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Activities incidental to the group's core product and service offerings, principally those which generate rental income and other miscellaneous amounts;
- Non trading items including net gains arising on disposal of fixed assets, amounts arising on re-measurement of the group's investment property portfolio, impairment of assets as result of change in group strategies and divested operations;
- Expenses representing costs that are attributable to unallocated revenues;
- Assets including assets under construction, investment property, cash investments, held to maturity investments, superannuation assets, investment in joint ventures and deferred tax;
- Liabilities including interest bearing liabilities and deferred tax.

At balance date, the Group has $309.9 million (2014: $411.8 million) of assets under construction unallocated to the core operating segments that will ultimately benefit from this investment.

Intersegment revenue

A core function of the Group's Retail and Agency Services segment is to distribute mail and parcel products through its network of retail stores. A market price for this distribution service applies through LPO agreements. In respect of corporate owned stores, an internal transfer price has been established between the Retail & Agency Services, Mail and Parcel Services segments, equivalent to the market price paid to LPOs.

Geographical Segments

The Group primarily operates in Australia with no significant portion of assets or operations located outside of Australia.

Use of fair value accounting

The Group uses cost as the basis for valuing land and buildings, as outlined in note B2 to the financial statements. Were a fair value methodology to be applied to land and buildings, their net book value would be $1,556.1 million (2014: $1,642.9 million), and total segment assets would be as follows:

Consolidated ($m)	2015	2014
Parcel Services	2,042.9	2,113.7
Retail and Agency Services	668.6	670.6
Unallocated & Eliminations	1,991.4	1,379.4
Total	4,702.9	4,163.7
Mail Services	1,112.5	1,251.1
Total	**5,815.4**	**5,414.8**

Fair value has been determined through valuations performed by Savills Pty Ltd with each property valued once over a 3 year period, on a rolling basis. Savills is an industry specialist in valuing these types of properties in accordance with Australian Valuation Standards. The fair value for each property has been determined by reference to the highest and best use of the property, taking into account the specific characteristics and location of the asset.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, information is considered from a variety of sources including current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences. Refer to note B5 for further details.

A1 SEGMENT INFORMATION (CONTINUED)

The results of the Group's operating segments for the year ended 30 June are as follows:

2015 ($m)	Parcel Services	Retail & Agency Services	Unallocated & Eliminations	Total	Mail Services	Total
Revenue						
Revenue	3,207.0	1,012.3	74.3	**4,293.6**	2,074.9	**6,368.5**
Inter-segment revenue	–	478.8	(478.8)	**–**	–	**–**
Total segment revenue	3,207.0	1,491.1	(404.5)	**4,293.6**	2,074.9	**6,368.5**
Interest revenue						**5.3**
Consolidated revenue						**6,373.8**
Result						
Earnings before net interest and income tax expense (EBIT)[1]	238.7	157.3	(340.9)	**55.1**	(381.2)	**(326.1)**
Net interest						**(26.0)**
(Loss)/profit before tax						**(352.1)**
Income tax benefit/(expense)						**130.4**
Net (loss)/profit for the year						**(221.7)**
Assets						
Segment assets	1,846.3	577.0	1,225.5	**3,648.8**	828.9	**4,477.7**
Superannuation asset	–	–	612.9	**612.9**	–	**612.9**
Investment in joint venture	–	–	2.6	**2.6**	–	**2.6**
Total assets	1,846.3	577.0	1,841.0	**4,264.3**	828.9	**5,093.2**
Liabilities						
Segment liabilities	783.8	402.7	1,108.8	**2,295.3**	885.6	**3,180.9**
Total liabilities	783.8	402.7	1,108.8	**2,295.3**	885.6	**3,180.9**
Other Segment Information						
Capital expenditure	212.0	51.6	–	**263.6**	94.7	**358.3**
Impairment losses	–	–	214.1	**214.1**	–	**214.1**
Depreciation and amortisation expense	134.3	41.1	47.9	**223.3**	116.8	**340.1**

2014 ($m)	Parcel Services	Retail & Agency Services	Unallocated & Eliminations	Total	Mail Services	Total
Revenue						
Revenue	3,094.2	1,021.9	146.6	**4,262.7**	2,110.4	**6,373.1**
Inter-segment revenue	–	443.8	(443.8)	**–**	–	**–**
Total segment revenue	3,094.2	1,465.7	(297.2)	**4,262.7**	2,110.4	**6,373.1**
Interest revenue						**10.2**
Consolidated revenue						**6,383.3**
Result						
Earnings before net interest and income tax expense (EBIT)	309.4	152.7	21.4	**483.5**	(350.5)	**133.0**
Net interest						**(30.0)**
Profit before tax						**103.0**
Income tax benefit/(expense)						**13.2**
Net profit for the year						**116.2**
Assets						
Segment assets	1,874.7	566.8	1,227.2	**3,668.7**	932.9	**4,601.6**
Superannuation asset	–	–	47.8	**47.8**	–	**47.8**
Investment in joint venture	–	–	1.8	**1.8**	–	**1.8**
Total assets	1,874.7	566.8	1,276.8	**3,718.3**	932.9	**4,651.2**
Liabilities						
Segment liabilities	670.4	411.1	1,015.4	**2,096.9**	791.6	**2,888.5**
Total liabilities	670.4	411.1	1,015.4	**2,096.9**	791.6	**2,888.5**
Other Segment Information						
Capital expenditure	304.2	62.6	35.0	**401.8**	130.0	**531.8**
Depreciation and amortisation expense	115.4	34.9	23.2	**173.5**	122.1	**295.6**

1 The cost allocation methodology has been reviewed and updated during the year ended 30 June 2015 to reflect operational changes as the business and network continues to transform through significant investments made in our Parcels network. This has resulted in a shift of $104.0 million of costs from the Mail Services segment to the Parcel Services segment.

A2 REVENUE AND OTHER INCOME

Revenue and other income for the year

The components of revenue and other income for the year ended 30 June are as follows:

Consolidated ($m)	2015	2014
Rendering of services to:		
– Related entities[1]	178.0	173.5
– External entities[2]	5,790.6	5,747.8
	5,968.6	5,921.3
Sale of goods to external entities[2]	283.9	289.0
	6,252.5	6,210.3
Interest income from:		
– Cash and cash equivalents	5.3	9.1
– Loans and receivables	–	1.1
	5.3	10.2
Total revenue	**6,257.8**	**6,220.5**
Rents from operating leases	32.2	30.4
Income from investment property	10.3	8.3
	42.5	38.7
Net gain on disposal of land and buildings	43.3	86.0
Foreign exchange gains (net)	2.2	8.0
Change in fair value of investment property	7.4	14.1
Other services to entities	20.6	16.0
	73.5	124.1
Total other income	**116.0**	**162.8**
Total income	**6,373.8**	**6,383.3**

1 Related entities – related to the Commonwealth Government

2 External entities – not related to the Commonwealth Government

Recognition and measurement

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and the costs incurred or to be incurred can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Rendering of services

Revenue is recognised when the Group has the right to be compensated for services performed and the stage of completion can be reliably measured. It is recorded at the amount likely to be received for the provision of that service, usually set out on the invoice or contractually defined terms, excluding GST. Revenue is recognised on a commission basis where the Group acts as an agent rather than a principal in the transaction.

Interest revenue

Interest income is earned from the Group's financial assets that are measured at amortised cost, primarily cash within bank accounts. It is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Rental income

Income received from leasing Group–owned investment property to external parties under an operating lease arrangement is recorded on a straight–line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

Key Estimates: International mail revenue

The Group recognises an accrual for the amount of revenue earned from delivery of international mail where statements have not been received. Revenue is determined based on a number of factors including the volume of articles delivered, the international postal organisation for which we are delivering mail and with reference to the International Postal Union guidelines.

A3 EXPENSES

Expenses for the year

The components of expenses for the year ended 30 June are as follows:

Consolidated ($m)	2015	2014
Salaries and wages	2,264.8	2,233.0
Leave and other entitlements	226.9	240.8
Superannuation expense	182.6	311.0
Other employee expenses	109.8	80.3
Employee benefits expense	**2,784.2**	**2,865.1**
Purchase of services from external entities	2,664.5	2,498.8
Purchase of goods from external entities	230.0	201.5
Operating lease rentals	206.5	223.1
Investment property expenditure	3.9	3.0
Supplier-related expenses	**3,104.9**	**2,926.4**
Depreciation	197.7	174.2
Amortisation	142.4	121.4
Depreciation and amortisation	**340.1**	**295.6**
Write-down and impairment of assets:		
Receivables	12.9	2.5
Inventory	7.4	9.1
Property, plant & equipment	37.9	–
Computer software	81.8	0.6
Goodwill & other intangibles	60.8	0.9
Other	13.3	–
	214.1	13.1
Restructuring costs	200.1	90.0
Sundry expenses	51.5	49.9
Other expenses	**465.7**	**153.0**
Total expenses	**6,694.8**	**6,240.1**

The components of finance costs for the year ended 30 June are as follows:

Consolidated ($m)	2015	2014
Bonds	36.6	41.7
Interest rate swaps	(4.4)	(7.3)
Other	(0.9)	5.8
Total finance costs	**31.3**	**40.2**

Recognition and measurement

Employee benefits expense

Refer to note C1 and C3 for employee benefits accounting policies.

Operating lease rentals

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expenditure and reduction of the liability. Refer to note E2 for further discussion on specific operating leases entered into by the Group.

Depreciation and amortisation

Refer to notes B2 and B3 for depreciation and amortisation policy discussions respectively.

Impairment

Impairment expenses are recognised when the carrying amount of an asset or cash generating unit exceeds its recoverable value. Refer to note B4 for further discussion specifically around impairment of non-financial assets.

Restructuring costs

Refer to note B7 for restructuring-related accounting policies.

Financing costs

Finance costs are recognised as an expense as they are incurred, expect for certain interest charges attributable to major projects, for which interest is capitalised into the cost of the asset. Interest expense is calculated using the effective interest method.

Provisions, such as long service leave, are discounted to their present value. The impact of unwinding of discounted provisions and any changes in discount rate adjustments are also recognised in finance costs.

A4 TAXATION

Taxation performance for the year

The major components of tax expense are:

Consolidated ($m)	2015	2014
Statement of comprehensive income		
– current income tax charge	57.0	102.5
– adjustments for current income tax of previous years	(43.7)	(37.8)
– deferred income tax relating to origination and reversal of temporary differences	(162.4)	(100.9)
– adjustments for deferred income tax of previous years	18.7	23.0
Income tax (benefit)/expense reported in the statement of comprehensive income	**(130.4)**	**(13.2)**
Other comprehensive income		
Net remeasurements on defined benefit plans	159.3	46.9
Sundry items	(0.6)	(1.2)
Income tax expense reported in other comprehensive income	**158.7**	**45.7**
Tax reconciliation:		
(Loss)/Profit before income tax	(352.1)	103.0
At the Group's statutory income tax rate of 30% (2014: 30%)	(105.6)	30.9
Adjustments relating to prior years	(25.0)	(14.8)
Non assessable gain on pre-CGT assets	(3.5)	(24.0)
Recognition of carry forward capital losses	–	(6.2)
Sundry items	3.8	0.9
Income tax (benefit)/expense on (loss)/profit before tax	**(130.4)**	**(13.2)**

Recognition and measurement

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities, using tax rates and laws that are enacted or substantively enacted at reporting date.

Current income tax relating to items recognised directly in other comprehensive income is also recorded in other comprehensive income.

Deferred tax assets and liabilities

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts determined under applicable Australian Accounting Standards.

Deferred tax assets and liabilities are recognised on all deductible and taxable temporary differences respectively, except:

1. to the extent it is not probable that taxable profits will be available against which the deductible temporary difference can be utilised; or
2. where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
3. where the temporary difference is associated with investments in subsidiaries, associates and joint ventures, to the extent that:
   a) the timing of the reversal of the taxable temporary difference can be controlled and it is probable that the taxable temporary difference will not reverse in the foreseeable future; or
   b) it is not probable that the deductible temporary difference will reverse in the foreseeable future or that taxable profit will not be available to utilise the deductible temporary difference.

Deferred tax assets are recognised on the carry-forward of unused tax credits and any unused tax losses only to the extent that it is probable that taxable profit will be available against which the carry-forward of unused tax credits and unused tax losses can be utilised.

Deferred tax asset balances are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Deferred tax items are recognised in correlation to the underlying transaction either in the statement of comprehensive income or in other comprehensive income.

A4 TAXATION (CONTINUED)

Deferred income tax in the balance sheet relates to the following:

Consolidated ($m)	2015	2014
Accelerated depreciation	(9.6)	(23.2)
Accrued income and other	(62.4)	(70.8)
Intangibles	(24.2)	(47.0)
Research and development	(36.7)	(63.5)
Superannuation asset	(183.9)	(14.3)
Other	(3.9)	(6.5)
Deferred tax liabilities	**(320.7)**	**(225.3)**
Accrued and other payables	22.8	13.2
Capital losses	1.1	9.8
Provisions	362.5	278.7
Make good	12.0	16.2
Other	15.1	15.3
Deferred tax assets	**413.5**	**333.2**
Net deferred tax assets	**92.8**	**107.9**

Deferred income tax in the statement of comprehensive income relates to the following:

Provisions	(83.8)	(19.3)
Research & development	(26.8)	34.2
Intangibles	(22.8)	(5.3)
Accelerated depreciation	(13.6)	(36.7)
Accrued expenses and other payables	(9.6)	0.2
Accrued income and other receivables	(8.4)	(13.5)
Superannuation asset	10.2	(32.0)
Capital losses	8.7	(8.5)
Make good	4.2	0.4
Other	(1.8)	2.6
Deferred income tax expense	**(143.7)**	**(77.9)**

Tax consolidation

Australian Postal Corporation (the head entity) and its 100% owned Australian resident subsidiaries (members) formed an income tax consolidated group effective 1 July 2004. The head entity and members have entered into a tax sharing agreement which limits each members income tax liability to its contribution amount should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

The head entity and members have also entered into a tax funding agreement which provides for the allocation of current taxes between the head entity and members of the tax consolidated group in accordance with their contribution to the actual tax payable by the head entity for the period. Deferred taxes are recognised by each entity in accordance with the principles of *AASB 112 Income Taxes* and *UIG 1052 Tax Consolidation Accounting*.

A5 CASH FLOWS

The reconciliation of net profit after tax to net cash provided by operating activities for the period ending 30 June is as follows:

Consolidated ($m)	2015	2014
Net (loss)/profit for the year	**(221.7)**	**116.2**
Depreciation and amortisation	340.1	295.6
Net revaluation (gain)/loss on investment property	(7.4)	(14.1)
Write-down of property, plant and equipment	37.9	8.6
Write-down of intangibles (including goodwill)	142.6	1.4
Write-down of receivables and inventory	20.3	11.6
Net gain from sales of property, plant and equipment	(47.0)	(84.9)
Sundry items	(1.4)	(4.2)
	485.1	214.0

Changes in assets and liabilities adjusted for the acquisition and disposal of businesses

(Increase)/decrease in assets:		
Receivables	16.3	15.3
Other current assets	(15.8)	(16.8)
Deferred income tax asset	(80.3)	(29.7)
Superannuation asset	(33.9)	107.2
Increase/(decrease) in liabilities:		
Creditors, other payables and accruals	55.8	17.6
Employee entitlements	137.9	81.1
Income tax payable	(0.8)	(55.4)
Deferred income tax liability	(63.9)	12.2
	15.3	131.5
Net cash from operating activities	**278.7**	**461.7**

Recognition and measurement

Cash and cash equivalents comprise cash at bank, on hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as part of operating cash flows.

A6 DIVIDENDS

The breakdown of dividends paid during the year ended 30 June is as follows:

Consolidated ($m)	2015	2014
Final ordinary dividend (from prior year results)	–	63.5
Interim ordinary dividend	–	78.8
Total dividends paid	**–**	**142.3**
Dividend not recognised as a liability	–	–

Our asset platform

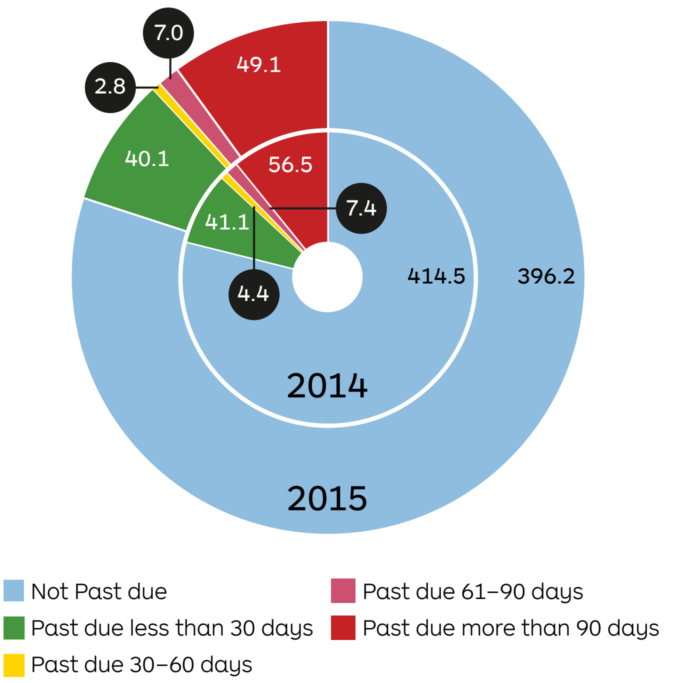
This section analyses the primary elements of our asset platform used to generate the Group's financial performance and operating liabilities incurred as a result. Employee related liabilities are discussed in note C1 and liabilities relating to financing activities are discussed in note D1. Deferred tax assets and liabilities are discussed in note A4.

B1 RECEIVABLES

The composition of trade and other receivables at 30 June is:

Consolidated ($m)	2015	2014
Trade receivables	486.6	507.4
Allowance for doubtful debts	(11.8)	(10.8)
	474.8	496.6
Other receivables	8.6	16.5
Total current trade and other receivables	**483.4**	**513.1**

Total current trade and other receivables are aged as follows ($m):



Recognition and measurement

Receivables for the sale of goods or performance of services (trade receivables) are recognised initially at the price on the invoice issued to the customer and subsequently at the amount considered receivable from the customer (amortised cost using the effective interest rate method) less any accumulated impairment.

These receivables are interest-free and for Australian customers, they normally have settlement terms of between 10 and 30 days, and for international customers, they are settled in accordance with Universal Postal Union (UPU) arrangements that may be longer than 30 days.

Analysis of ageing and recoverability

At 30 June 2015, no material receivables are individually determined to be impaired, with the total receivables determined to be impaired being $11.8 million (2014: $10.8 million). Overall, there have been no material movements in the allowance for doubtful debts during the year.

Refer to note D1 for further discussion on how the Group manages its credit risk and note A3 for the total write-down of receivables.

B2 PROPERTY, PLANT & EQUIPMENT

The reconciliation of the opening and closing balances of property, plant and equipment at 30 June is as follows:

Consolidated ($m)	Land	Buildings	Total land & buildings	Plant & equipment	Total
Gross book value	234.1	1,180.7	1,414.8	1,682.7	**3,097.5**
Accumulated depreciation	–	(618.3)	(618.3)	(1,035.7)	**(1,654.0)**
Net book value at 30 June 2013	**234.1**	**562.4**	**796.5**	**647.0**	**1,443.5**
Additions	0.5	182.4	182.9	220.7	**403.6**
Depreciation	–	(54.3)	(54.3)	(119.9)	**(174.2)**
Disposals	(1.2)	(36.7)	(37.9)	(15.1)	**(53.0)**
Sundry items[1]	(9.5)	1.6	(7.9)	(4.8)	**(12.7)**
Gross book value	223.9	1,328.0	1,551.9	1,883.5	**3,435.4**
Accumulated depreciation	–	(672.6)	(672.6)	(1,155.6)	**(1,828.2)**
Net book value at 30 June 2014	**223.9**	**655.4**	**879.3**	**727.9**	**1,607.2**
Additions	–	46.1	46.1	203.3	**249.4**
Depreciation	–	(59.9)	(59.9)	(137.8)	**(197.7)**
Disposals	(3.8)	(21.8)	(25.6)	(0.1)	**(25.7)**
Sundry items[1]	(2.1)	(3.9)	(6.0)	(31.9)	**(37.9)**
Gross book value	218.0	1,323.1	1,541.1	1,858.2	**3,399.3**
Accumulated depreciation	–	(707.2)	(707.2)	(1,096.8)	**(1,804.0)**
Net book value at 30 June 2015	**218.0**	**615.9**	**833.9**	**761.4**	**1,595.3**

1 Sundry items include revaluation decrements of ($2.1 million) (2014: $0.3 million), nil transfers to other asset classes (2014: $0.1 million) and investment properties (2014: ($4.5 million)), and impairment losses of ($35.8 million) (2014: ($8.6 million)).

Recognition and measurement

Property, plant and equipment assets are measured at the cost of the asset, less depreciation and impairment. The cost of the asset also includes the cost of replacing parts that are eligible for capitalisation, and the cost of major inspections. Where the replacement of part of an asset is considered significant, the Group recognises these as separate assets with specific useful lives. All other repairs and maintenance are recognised in the statement of comprehensive income as incurred. The expected cost for decommissioning an asset after its use is included in the cost of the respective asset at its present value, if the recognition criteria for a provision are met.

Depreciation

Property, plant and equipment assets, excluding land and any assets under construction, are depreciated to their estimated residual values over their estimated useful lives using the straight–line method of depreciation. Useful lives and methods are reviewed annually and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

A summary of the useful lives of property, plant equipment assets is as follows:

Asset	Useful Life
Buildings	General Post Offices: 70 years
	Other facilities: 40–50 years
Plant & equipment	Motor vehicles: 3–10 years
	Specialised plant & equipment: 10–20 years
	Leasehold improvements: lower of lease term and 10 years

Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

B3 INTANGIBLE ASSETS

The reconciliation of the opening and closing balances of intangible assets at 30 June are as follows:

Consolidated ($m)	Computer software	Goodwill	Brand names & trademarks	Customer relationships	Total intangibles
Gross book value	1,179.4	536.6	63.1	134.0	**1,913.1**
Accumulated amortisation	(774.0)	–	(0.5)	(15.5)	**(790.0)**
Net book value at 30 June 2013	**405.4**	**536.6**	**62.6**	**118.5**	**1,123.1**
Additions by purchase	130.9	0.2	0.3	–	**131.4**
Amortisation expense	(102.1)	–	(0.2)	(19.1)	**(121.4)**
Sundry items[1]	(4.3)	(16.1)	–	–	**(20.4)**
Gross book value	1,306.0	520.7	63.4	134.0	**2,024.1**
Accumulated amortisation	(876.1)	–	(0.7)	(34.6)	**(911.4)**
Net book value at 30 June 2014	**429.9**	**520.7**	**62.7**	**99.4**	**1,112.7**
Additions by purchase	103.8	–	–	–	**103.8**
Amortisation expense	(122.1)	–	(0.5)	(19.8)	**(142.4)**
Sundry items[1]	(78.7)	(9.0)	0.6	(48.1)	**(135.2)**
Gross book value	812.9	511.7	64.0	136.0	**1,524.6**
Accumulated amortisation	(480.0)	–	(1.2)	(104.5)	**(585.7)**
Net book value at 30 June 2015	**332.9**	**511.7**	**62.8**	**31.5**	**938.9**

1 Sundry items includes nil revaluation decrements (2014: ($15.2 million), nil transfers to other asset classes (2014: ($1.1 million), nil disposals (2014: $1.8 million), acquisition of subsidiary of $7.4 million (2014: nil) and impairment losses of $142.6 million (2014: ($2.3 million).

Recognition and measurement

Goodwill

Goodwill is initially measured at the excess of the aggregate consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Brand names, trademarks, computer software and customer relationships

Brand names, trademarks, computer software and customer relationships that are either acquired separately or in a business combination are initially measured at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. After initial recognition, intangible assets are measured at cost less amortisation and any impairment losses. Intangible assets with finite useful lives are tested for impairment whenever there is an indication of impairment while intangible assets with indefinite lives are tested for impairment in the same way as Goodwill, as discussed in note B4 Impairment of non-financial assets.

Derecognition

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

Amortisation

Intangible assets with finite lives are amortised over their useful life. Amortisation is calculated on a straight-line basis over the anticipated useful lives. The amortisation period and the amortisation method for each intangible asset with a finite useful life is reviewed annually.

A summary of useful lives of intangible assets is as follows:

Asset	Useful Life
Computer Software	Finite between 4–8 years
Brand names & trademarks	P|StarTrack brand names: indefinite Others: finite not exceeding ten years
Customer relationships	Finite up to 7 years

P|StarTrack brand names are considered to have indefinite useful lives as they are not considered to have foreseeable brand maturity dates; accordingly they are not amortised and are carried at cost less accumulated impairment losses. These brand names are allocated to the P|StarTrack cash generating unit and subject to annual impairment testing.

An assessment of indefinite useful life is performed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Goodwill and brand names with indefinite useful lives acquired through business combinations have been allocated to individual cash generating units (CGU's) as follows:

Consolidated ($m)	2015	2014
Goodwill – P|StarTrack	488.1	488.1
Goodwill – Other	23.6	32.6
Brand Names – P|StarTrack	61.3	61.3
	573.0	**582.0**

B4 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assessing for impairment

The Group tests property, plant and equipment, intangibles and goodwill for impairment:

- at least annually for indefinite life intangibles and goodwill; and
- where there is an indication that the asset may be impaired (which is assessed at least each reporting date); or
- where there is an indication that previously recognised impairment (on an asset other than goodwill) may have changed.

If the asset does not generate independent cash inflows and its value in use cannot be estimated to be close to its fair value, the asset is tested for impairment as part of the CGU to which it belongs. Assets are impaired if their carrying value exceeds their recoverable amount. The recoverable amount of an asset or CGU is determined as the higher of its fair value less cost of disposal, or value in use. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment calculations

The recoverable amount of all CGU's has been determined based on a value in use calculation using a discounted cash flow model. Cash flow forecasts are extracted from four year corporate plans approved by senior management and the Board. The corporate plans are developed annually with a four year outlook and, for the purpose of value in use calculations, are adjusted on the understanding that actual outcomes may differ from the assumptions used. The forecasts are extrapolated for a further one year and a terminal value applied based on group estimates, taking into consideration historical performance and that do not exceed the consensus forecasts of the long-term average growth rate for the industry of each CGU or asset.

A post-tax discount rate applicable to the specific CGU or asset has been applied. Discount rates used are based on the weighted average cost of capital determined by prevailing or benchmarked market inputs, risk adjusted where necessary. Other assumptions are determined with reference to external sources of information and use consistent, conservative estimates for variables such as terminal revenue growth rates. Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amounts to fall below carrying values.

Recognised impairment

The group has tested the following non-financial assets for impairment:

- Goodwill and indefinite life intangibles allocated to CGUs, in accordance with annual impairment testing (refer to note B3); and
- Customer relationship intangible assets for which impairment indicators have been identified.

Key assumptions and impairment testing results

The value in use calculations used to determine the recoverable amount of all CGUs includes management estimates to determine income, expenses, capital expenditure and cash flows for each CGU. The revenue growth rate applied by all CGUs to the one year period outside the corporate plan is 3.0% (2014: 3.0%). After this period a 2.0% - 3.0% (2014: 2.0%) revenue growth rate is applied. A post-tax discount rate applicable to each CGU has also been applied. These rates are between 7.5% - 9.8% (2014:8.7% - 8.9%).

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of any CGUs containing goodwill and brand names to exceed their recoverable amount.

B5 INVESTMENT PROPERTY

Investment property as at 30 June is as follows:

Consolidated ($m)	2015	2014
Investment property	200.0	192.1

Investment property is held by the group primarily for leasing to third parties for rental return, as well as capital appreciation. Direct operating expenses of the investment properties are disclosed in note A3. Approximately 80% of the group's investment properties generate rental return. Rental income is disclosed in note A2.

Recognition and measurement

Investment property is measured initially at cost, including transaction costs. The cost of the asset also includes the cost of replacing parts that are eligible for capitalisation, but excludes the costs of day-to-day servicing.

Subsequent to initial recognition, investment property is measured at fair value, with gains or losses arising from changes in the fair value recognised in the statement of comprehensive income.

Derecognition

When investment properties are disposed of or permanently withdrawn from use and no future economic benefit is expected, they are derecognised with the difference between the net disposal proceeds and the carrying amount of the investment property recorded in the statement of comprehensive income.

Transfers

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to a third party. Where an owner-occupied property becomes an investment property, the group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where an investment property is reclassified to owner-occupied property, the deemed cost of the property for subsequent accounting is its fair value at the date of change in use.

Key estimates:

Valuation

At each period end, the Group reassesses the fair value of its investment property portfolio. This assessment is conducted by Savills Pty Ltd (Savills), an accredited, external and independent valuer. Savills is an industry specialist in valuing these types of investment property in accordance with Australian Valuation Standards. The fair value for each property has been determined by reference to the highest and best use of the property taking into account the specific characteristics and location of the asset. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available information is considered from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- discounted cash flow projections based on reliable estimates of future cash flows; or
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

At 30 June 2015 investment properties comprise only level 2 properties. Refer to note D4 for fair value categories. In addition, the Group has no restrictions on the use of its investment property portfolio but is subject to an annual maintenance requirement on a number of properties subject to heritage requirements.

Classification

The classification of property as investment property requires management judgement, with the determination subject to change over time depending on how the property is being used by the Group. The Group has determined that these properties classified as investment property are held for the primary purposes of generating rental income or for capital appreciation. Where a property is also used for internal use, it is classified as an investment property where an insignificant portion of total floor space is occupied.

B6 PAYABLES

The components of payables at 30 June are as follows:

Consolidated ($m)	2015	2014
Trade creditors	445.8	340.0
Agency creditors[1]	104.0	150.9
Salaries and wages	56.9	104.1
Unearned postage revenue	57.9	59.4
Other advance receipts	146.4	124.2
Borrowing costs	4.5	4.7
Other payables	131.9	99.7
Total current trade and other payables	**947.4**	**883.0**

1 Non-interest bearing and normally settled on next business day terms

Recognition and measurement

Trade and other payables are carried at the amount owing to counterparties for goods and services provided, which is usually the invoice amount, and remain unpaid. Trade creditors includes both domestic and international non-interest bearing creditors. Domestic creditors are normally settled on 30-day terms, while international creditors are settled in accordance with Universal Postal Union (UPU) arrangements, which may be longer than 30 days. Salaries and wages are accrued for in accordance with note C1.

Unearned postage income arises where payment has been received from an external party, but the associated service has yet to be performed.

Other advance receipts is comprised predominantly of deferred revenue from post office boxes and bags which are rented out to the public, and advanced contributions to marketing and promotional activities.

Other payables includes amounts accrued for capital expenditure, GST obligations and other accruals of the group.

Key estimates: Unearned postage revenue

With respect to revenue generated from postage sales, an allowance is made at balance date where the service has not yet been provided. An actuarial valuation is undertaken every three years incorporating updates to key input assumptions, including changes to product mix and patterns of purchase and use. The actuarial valuation also makes certain assumptions including applying an average initial credit balance before each postage meter reset, constant postage meter usage between resets and that the timing of resets follows a reasonably random process for business customers. The provision is reassessed every six months and where necessary an update to the actuarial factors is made where a significant change in assumptions is observed.

B7 OTHER PROVISIONS

The Group's other provisions at 30 June are as follows:

Consolidated ($m)	Property make good provision	Surplus lease space provision	Other provision[1]	Total
Balance at 30 June 2013	**56.1**	**12.2**	**62.1**	**130.4**
– current provision	**1.6**	**4.2**	**34.2**	**40.0**
– non-current provision	**54.5**	**8.0**	**27.9**	**90.4**
Reassessments and additions	0.2	28.4	11.4	40.0
Unused amount reversed	(2.4)	(0.5)	(2.4)	(5.3)
Payments made	(1.7)	(3.6)	(31.6)	(36.9)
Unwinding and discount rate adjustment	1.9	0.2	–	2.1
Balance at 30 June 2014	**54.1**	**36.7**	**39.5**	**130.3**
– current provision	**0.3**	**20.3**	**39.5**	**60.1**
– non-current provision	**53.8**	**16.4**	**–**	**70.2**
Reassessments and additions	3.7	(4.2)	25.9	25.4
Unused amount reversed	(2.3)	(1.3)	(3.2)	(6.8)
Payments made	(1.4)	(0.4)	(27.8)	(29.6)
Unwinding and discount rate adjustment	(2.2)	(4.2)	–	(6.4)
Balance at 30 June 2015	**51.9**	**26.6**	**34.4**	**112.9**
– current provision	**12.4**	**12.1**	**34.4**	**58.9**
– non-current provision	**39.5**	**14.5**	**–**	**54.0**

1 Includes legal provisions of $24.7 million (2014: $8.1 million), onerous agreement provisions of $7.0 million (2014: $27.9 million) and other provisions of $2.7 million (2014: $3.0 million).

Recognition and measurement

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a financing cost.

Key estimates:

Surplus lease space provision

The surplus lease space provision represents the estimated lease cost of property leases surplus to the group's requirements or where sub-let agreements are on terms substantially below market rates. The estimated cost is based on the contractually required lease payments over the remaining term of each lease agreement, less any amounts received through sub-lease agreements where applicable.

Property make good provision

The property make good provision represents the estimated cost to make good operating leases entered into by the group. The estimated cost is based on management's best estimate of the cost to restore a square metre of floor space and is dependant on the nature of the building being leased. The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised by adjusting both the expense or asset (if applicable) and provision. The expected timing of the make good cost is based on the expiry of each underlying individual lease agreement.

Our people

This section describes a range of employment and post employment benefits provided to our people.

C1 EMPLOYEE PROVISIONS

The components of employee provisions at 30 June are as follows:

Consolidated ($m)	2015	2014
Current provisions		
Employee provisions:		
Annual leave	178.9	180.3
Long service leave	349.2	365.8
Separations and redundancy[1]	42.1	80.1
Other employee	53.6	52.7
	623.8	678.9
Employee related provisions:		
Workers' compensation	29.2	28.1
Balance at 30 June	**653.0**	**707.0**
Non-current provisions		
Employee provisions:		
Long service leave	61.6	59.6
Separations and redundancy[1]	175.1	–
Other employee	4.9	–
	241.6	59.6
Employee related provisions:		
Workers' compensation	111.6	101.2
Balance at 30 June	**353.2**	**160.8**

1 The provision recognised comprises the expected severance payments, employee entitlements (including notice period), outplacement costs and payroll tax based on the location of the employee, staff level affected by the restructuring and their anticipated years of service. In estimating the expected severance payments, historical severance payments have also been considered.

Recognition and measurement

Employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. Refer to note E6 for the impact of changes to the discount factors applied to employee provisions.

Annual Leave

The liability for annual leave where the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date is recognised in current provisions. Liabilities for benefits which are expected to be settled beyond 12 months are discounted to present value using market yields on corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows, and recognised in current provisions.

Separation and redundancy

Restructuring provisions are recognised when the recognition criteria for provisions is fulfilled, and steps have been taken to implement a detailed plan and discussions with affected personnel have created a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to key assumptions as below. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Key estimates:

The long service leave provision at balance date required management judgement and independent actuarial assessment of key assumptions including, but not limited to:

- future salaries and wages increases;
- future on-cost rates; and
- period of service and experience of employee departures.

Workers' compensation

The Group self-insures the majority of its liability for workers' compensation as a licence holder under the *Safety, Rehabilitation and Compensation Act 1988 (SRC Act)*.
A provision is recognised in the financial statements based on claims reported, and an estimate of claims incurred but not reported. The provision is measured using an actuarially determined method each balance date, with the estimate of present value taking into account key assumptions as below, as well as pay increases, attrition rates, interest rates and the time over which settlement is made.

The liability for workers' compensation at balance date includes $22.1 million claims made (2014: $23.8 million).

Key estimates:

The self-insured risk liability required management judgement and independent actuarial assessment of key assumptions including, but not limited to:

- future inflation;
- investment return;
- average claim size;
- claim development; and
- claim administration expenses.

C2 SENIOR EXECUTIVE AND DIRECTOR REMUNERATION AND RETIREMENT BENEFITS

This note has been prepared in accordance with the requirements of the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* and *AASB 124 Related Party Disclosures*.

For the purposes of this note, the Group has defined senior executives as those employees who report directly to the Managing Director & Group CEO. These employees are the only employees considered to have the capacity and responsibility for decision making that can have a significant and direct impact on the strategic direction and financial performance of the Group. Executive directors are classified as senior executives and are disclosed in this note.

Senior executive and director remuneration by category

Remuneration received directly or indirectly by senior executives and directors under an accrual basis for the year ended 30 June is as follows:

	Senior executives and directors	
Corporation and Consolidated ($)	**2015**	**2014**
Short-term employee benefits[1]	8,393,297	13,079,359
Post employment benefits	502,535	1,263,414
Other long-term benefits[2]	4,573,592	1,834,930
Total senior executive and director remuneration	**13,469,424**	**16,177,703**

1 Short-term employee benefits comprises wages, salaries, paid annual leave, bonuses (if payable within twelve months of the end of the period) and non-monetary benefits.

2 The 2015 total includes the cost of a new long-term incentive program implemented for a number of senior executives which requires performance against Board approved hurdles over a number of years.

Total number of senior executives and directors

The total number of senior executives and directors is disclosed below:

	Senior executives and directors	
Corporation and Consolidated (Number)	**2015**	**2014**
Senior executives	9	9
Directors	8	8
	17	17

Related party transactions

Transactions entered into directly by directors or director-related entities with the Australian Postal Corporation have been either domestic or trivial in nature.

A number of directors of the Australian Postal Corporation are also directors of or have interests in other entities which have transacted with the Australian Postal Corporation Group. These transactions have occurred on terms and conditions no more favourable than those which it is reasonable to expect the Group would have adopted if dealing with any third party on normal commercial terms.

In 2013/14 the Group made a donation to a charitable foundation which is a director-related entity of the Managing Director & Group CEO.

C3 POST EMPLOYMENT BENEFITS

All employees are either entitled to benefits from the Group's defined benefit plan Australia Post Superannuation Scheme (APSS – the Fund) on retirement, disability or death or can direct the Group to make contributions to a defined contribution plan of their choice.

Defined benefit post employee benefits

The amount recognised in the statement of comprehensive income for the year ended 30 June is as follows:

Consolidated ($m)	2015	2014
Current service cost	190.6	214.3
Past service cost	(90.7)	(5.3)
Interest cost on benefit obligation	233.5	242.9
Interest income on plan assets	(237.7)	(237.2)
Plan expenses	12.6	13.1
Contributions tax reserve	16.9	37.9
Defined benefit superannuation expense	**125.2**	**265.7**

The reconciliation of the changes in the present value of the amounts recognised in the balance sheet at 30 June is as follows:

Changes in the present value of defined benefit obligation		
Opening defined benefit obligation at 1 July	6,921.4	6,530.9
Interest cost	233.5	242.9
Current service cost	190.6	214.3
Benefits paid and payable	(498.0)	(363.4)
Past service cost	(90.7)	(5.3)
Member contributions	120.7	110.1
Actuarial gain/(loss) due to changes in financial assumptions	(225.9)	49.6
Actuarial gain/(loss) due to changes in demographic assumptions	(6.9)	–
Other remeasurements	149.1	142.3
Closing defined benefit obligation at 30 June[1]	**6,793.8**	**6,921.4**
Changes in the fair value of the plan assets		
Opening fair value of plan assets at 1 July	6,962.0	6,529.5
Return on plan assets	459.7	324.7
Interest income on plan assets	237.7	237.2
Contributions by employer	159.1	158.9
Member contributions	120.7	110.1
Benefits paid and payable	(498.0)	(363.4)
Plan expenses	(12.6)	(13.1)
Contributions tax reserve	(21.9)	(21.9)
Fair value of plan assets at 30 June[1]	**7,406.7**	**6,962.0**
Amount recognised in other comprehensive income		
Remeasurements on liability	(83.7)	191.9
Return on plan assets excluding interest income	(459.7)	(324.7)
Contributions tax	12.3	(23.4)
Total amount to be recognised in other comprehensive income	**(531.1)**	**(156.2)**

1 Included in the obligation and plan assets above is $3,483.0m (2014: $3,235.5m) relating to member financed accumulated benefits.

Recognition and measurement

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating the terms of the related obligation.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised in the statement of comprehensive income as past service costs at the earlier of the date on which the amendment or curtailment occurs or when associated restructuring costs are recognised. The past service cost for the period comprises a reduction in the defined benefit obligation due to changes to the APSS as announced in the prior financial year, and this is partly offset by a curtailment loss resulting from the Group's planned restructuring activities. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

C3 POST EMPLOYMENT BENEFITS (CONTINUED)

Categories of plan assets ($m)[1]

The fair value of total plan assets is as follows:

Consolidated ($m)	2015	2014
Active Market		
Cash	1,298.6	1,322.8
Equities	1,756.9	905.0
Debt	1,179.5	1,113.9
Inactive Market		
Equities and Debt	2,364.0	2,367.1
Real Estate	807.7	1,253.2
	7,406.7	**6,962.0**

1 There are no in-house assets included in the fair value of the APSS assets, however there may be an immaterial amount of indirect investments in shopping centres where the Corporation has leased certain areas for Post shops.

Amount recognised in the balance sheet

The amount recognised in the balance sheet as at 30 June is as follows:

Consolidated ($m)	2015	2014	2013	2012	2011
Present value of benefit obligation (wholly funded)	(6,793.8)	(6,921.4)	(6,530.9)	(6,322.1)	(5,584.7)
Fair value of plan assets	7,406.7	6,962.0	6,529.5	6,123.3	5,829.0
Contributions tax reserve	–	7.2	(0.2)	(35.1)	43.1
Net superannuation asset/(liability)[1]	612.9	47.8	(1.6)	(233.9)	287.4

1 The Corporation's entitlement to any surplus in the Fund is limited by the terms of the relevant Trust Deed and applicable superannuation laws. On termination, any money and other assets remaining in the Fund after the payment of benefits and expenses of the Fund would ultimately be realised and the proceeds distributed to the employers (including the Corporation) in such shares as determined by the Corporation. Outside termination, there is scope for the Corporation to request a return of surplus, which may be no more than the amount (as determined by the Fund's actuary) by which the total Fund value exceeds the total accrued benefit value. In addition, the Corporation benefits from the surplus through reduction in future superannuation expense and contributions.

Superannuation plan

The Corporation is an employer sponsor of the APSS. In addition, certain employees of Star Track Express Pty Ltd, Post Super Pty Ltd and Decipha Pty Ltd are also members of the Fund. The APSS provides employer-financed defined benefits to all employees who are members and member-financed accumulation benefits to those who elect. On 30 June 2012 the Fund closed to new members.

Regulatory framework and governance

The APSS is governed by the rules as set out in the APSS Trust Deed. The current Trust Deed (including amendments contained in the Deed of Modifications 1 to 14) was consolidated in September 2014. APSS is a regulated fund under the provisions of the *Superannuation Industry (Supervision) Act 1993 (SIS)*. The Scheme is treated as a complying defined benefit superannuation fund for taxation purposes.

The APSS is operated by the APSS Trustee. By law, the APSS Trustee is required to act in good faith and in the best interests of members, and operate in accordance with the APSS Trust Deed. The board of the Trustee is comprised of three member representative directors, three employer-appointed directors, and an independent director.

Funding arrangement and requirements

The APSS is funded by the Corporation and its associated employers, with the funding requirements being based on the recommendations of the APSS actuary. The current funding recommendations are based on a methodology that calculates a long-term normal cost to provide the APSS benefits, plus additional contributions being required in the event that the assets are not sufficient to meet members' vested benefits.

The Group is expected to make employer contributions (excluding salary sacrifice contributions in respect of members savings) of $150.0 million for the year ended 30 June 2016.

As under the current arrangements, the Corporation can cease making contributions at any time to the APSS, the Corporation has no legal requirement to contribute to the APSS. As such, the Corporation does not currently have any minimum funding requirements in respect of the APSS.

Related party transactions

The Group performs administrative services on behalf of its Superannuation Fund APSS. These services are provided on normal commercial terms. Payment received by Australia Post for these services for year ended 30 June 2015 is $12.6 million (2014: $13.1 million).

Defined contribution post employment benefits

Australia Post pays the Superannuation Guarantee contribution to the nominated superannuation funds of employees who are not members of the Fund, or those who have voluntarily elected not to be members of the Fund.

Defined contribution post employment benefits are expensed by the Group as service is rendered by the Group's employees. The defined contributions superannuation expense recognised in respect of post employee benefits is as follows:

Consolidated ($m)	2015	2014
Defined contribution superannuation expense	57.4	45.3

Superannuation Act 1976

Some of the Corporation's current and past employees are also entitled to benefits under the *Superannuation Act 1976*, but the Group has no contribution obligation in respect of these benefits. The superannuation asset or liability relating to the Commonwealth Superannuation Scheme (CSS) under the *Superannuation Act 1976* is recognised in the financial statements of the Commonwealth and is settled by the Commonwealth in due course. The Commonwealth takes full responsibility for the CSS liabilities for any Australia Post employees (past and present) remaining in the CSS.

Disclosures regarding the CSS Scheme are located in the Department of Finance Annual Financial Report.

Management of the plan risks

The funding of the plan is dependent upon future experience. Material adverse risks in respect of funding include market risk, salary inflation risk, liquidity risk, and the risk of higher than expected death and disability benefits.

Key assumptions and sensitivities

The significant actuarial assumptions used in determining superannuation obligations for the Group's plan are shown below (expressed as weighted averages), as well as the sensitivity for each significant assumption:

			Sensitivity ($m)			
	Actuarial assumption (%)		Rate increase of 1%		Rate decrease of 1%	
Consolidated	2015	2014	2015	2014	2015	2014
Discount rate	**4.3**	3.5	**(235.9)**	(247.6)	**271.7**	291.6
Future inflationary salary increases (for year to 30 June 2015)	**2.0**	2.0	–	–	–	–
Future inflationary salary increases (the period thereafter)	**2.5**	2.5	**224.9**	206.1	**(195.8)**	(176.5)

The determination of the defined benefit obligation requires a number of other assumptions to be made regarding the future including the demographic profile of membership and level of benefits to be provided by the Fund.

Maturity profile

The duration of the liabilities is approximately 9.0 years (2014: 6.9 years), calculated using expected benefit payments on an accrual basis.

Our funding structure and management of our financial risks

As a result of its operations, the Group is exposed to multiple forms of risk. This note sets out the nature of the financial risks and their quantification & management. This section also sets out the strategies and practices the Group utilises to minimise the exposure to these risks in order to execute our enterprise strategy in a safe way, as well as outlining the current Group funding structure.

D1 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern while maximising the return to the Commonwealth Government. The Group recognises the impact on shareholder returns of the level of equity capital employed and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity possible with some leverage. A further consideration when managing capital is maintenance of an investment grade rating. The Group holds a AA- rating (2014: AA) from the independent ratings agency Standard & Poor's.

The capital structure of the Group (which has not changed from prior year) consists of debt, which comprises bonds payable and syndicated revolving committed facilities, a bank overdraft facility, cash and cash equivalents and equity attributable to equity holders of the Corporation, comprising contributed equity, reserves and retained profits. The capital structure is reviewed annually as part of the Corporate Plan, which includes analysis of the return on equity, return on average operating assets and debt to debt plus equity ratios implicit in the Corporate Plan.

Financial instruments

The Group's principal financial instruments are set out in the following table:

Consolidated ($m)	2015	2014
Financial assets		
Cash and cash equivalents	415.1	418.6
Loans and receivables	738.7	751.8
Derivative instruments in designated hedge accounting relationships	13.7	12.9
Financial liabilities		
Financial liabilities at amortised cost	1,033.5	997.7
Financial liabilities held at fair value[1]	290.8	291.3
Derivative instruments in designated hedge accounting relationships	2.0	1.5

1 Designated in fair value hedge relationships at amortised cost and adjusted by the gain/(loss) attributable to interest rate risk.

Recognition and measurement

The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus transaction costs, except in the case of assets not at fair value through profit or loss where transaction costs are expensed in the statement of comprehensive income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Effective interest rate amortisation is included in interest income in the statement of comprehensive income.

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value, plus in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts and derivative financial instruments.

Financial liabilities at fair value through profit or loss include those held for trading where they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments not designated as hedging instruments, whilst separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

Borrowings are initially recorded at fair value less directly attributable transaction costs and subsequently at amortised cost using the effective interest rate method. They are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance sheet date.

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset and transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. The Group evaluates to what extent it has retained the risks and rewards of ownership, as well as the Group's continuing involvement in the asset, which may require recognition of an associated liability. Assets or liabilities arising in this method are measured on a basis that reflects the rights and obligations that the Group has retained.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in respective carrying amounts is recognised in the statement of comprehensive income.

Types of borrowings

The Group's bonds are unsecured and repayable in full, with $280 million maturing on 6 February 2017, $250 million maturing on 13 November 2020 and the remaining $175 million maturing on 13 November 2023. $280 million of this debt is designated in a fair value hedge relationship and measured at fair value with the remaining $425 million measured at amortised cost.

Net gain or loss from financial assets and financial liabilities measured at amortised cost

The net gain or net loss on financial assets (including cash and cash equivalents) is determined as interest revenue, plus or minus foreign exchange gains or losses arising from the revaluation of the financial asset and minus any impairment recognised in profit or loss as shown below.

Consolidated ($m)	2015	2014
Interest revenue (refer note A2)	5.3	10.2
Foreign exchange gain	9.2	8.3
Impairment loss	(12.9)	(2.5)
Net gain from financial assets measured at amortised cost	**1.6**	**16.0**

The net gain or net loss from financial liabilities measured at amortised cost is determined as interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost, as shown below.

Consolidated ($m)	2015	2014
Interest expense	40.5	45.8
Foreign exchange loss	7.0	0.3
Net loss from financial liabilities measured at amortised cost	**47.5**	**46.1**

D2 MANAGING OUR FINANCIAL RISK

Financial risk management objectives

The Board reviews and agrees policies for managing the Group's financial risks. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. Exposure to commodity risk in relation to the bulk purchase of fuel and third party contract pricing mechanisms, managed through the use of hedging derivatives, is considered insignificant.

Credit risk

The Group makes sales on credit terms and therefore it is exposed to the risk that a customer may not repay their entire obligations in full as required. In addition to the above, the Group provides financial guarantees to third parties, which commit the Group to make payments on behalf of these parties upon their failure to perform under the terms of the relevant contract. At 30 June, the maximum credit risk in respect to guarantees is as follows:

Consolidated ($m)	2015	2014
Financial guarantee contracts[1]	0.5	59.8
Guarantees provided[2]	222.2	223.9

1 Relates to credit exposure to third parties with respect to finance lease arrangements.

2 Relates to bank guarantees over projected workers' compensation claims liabilities provided by the Group.

Credit risk management: trade and other receivables

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating, financial position, past experience and industry reputation. In addition, individual receivable balances are monitored on an ongoing basis with the result that the exposure to bad debts is not significant.

Credit risk management: financial instruments

Counterparty limits are reviewed regularly by the treasury group with recommended limits endorsed by the Board. Investment of surplus funds are made only with approved high investment grade counterparties as rated by Standard & Poor's. Surplus funds invested with bank counterparties are all rated A- or better (2014: A- or better).

Accordingly, credit risk on derivative financial instruments is limited and managed using the principle of the Australian Prudential Regulation Authority 'Current Exposure Method' as described in its guidance note AGN 112.2, taking into account both current credit exposure and potential future credit exposure.

Liquidity risk management

Liquidity Risk is the risk that the Group will not be able to meet its obligations, such as the provisions and payables outlined in notes B7 and B6 respectively, when they fall due. The Group's liquidity risk management seeks to ensure that there are sufficient funds available to meet financial commitments in a timely manner and plan for unforeseen events which may cause pressure on liquidity. The Group measures and manages liquidity risk by forecasting liquidity and funding requirements for the next three years as a minimum, which is reviewed annually by the Board as part of the Treasury Strategy Paper. The treasury group also prepares and reviews a rolling daily cash forecast for the quarter to manage short-term liquidity requirements.

Financing facilities

The Group had the following financing facilities available throughout the financial year:

- for the period to 25 June 2015, a 3 year revolving committed facility of $200 million expiring 8 October 2015 and a 5 year revolving credit facility of $200 million expiring 8 October 2017, both of which were available for draw down for a minimum of 30 days.
- for the period from 25 June 2015, a 3 year revolving committed facility of $200 million expiring 25 June 2018 and a 5 year revolving credit facility of $200 million expiring 25 June 2020, both of which were available for draw down for a minimum of 30 days.
- a bank overdraft facility of $15 million available for draw down and repayable on demand, as required.

Maturity of financial liabilities

The tables below detail the Group's remaining contractual maturity for its material non-derivative financial liabilities, as well as cash outflows arising from derivative financial instruments.

The table presents undiscounted cash flows based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. Where interest flows are floating rate, the undiscounted amount is derived from the interest rate curves at the end of the reporting period. For financial guarantee contracts and undrawn loan commitments, the maximum amount of the guarantee and undrawn loan commitment is allocated to the earliest period in which the guarantee or loan commitment can be called.

The table also includes cash outflows arising from derivative financial instruments, based on the undiscounted net cash outflows on derivative instruments that settle on a net basis and the undiscounted gross cash outflows on those derivatives that require gross settlement. The amount disclosed has been determined by reference to the projected cash outflows illustrated by the yield or forward curves existing at reporting date.

	Contractual maturity (nominal cash flows)					
Consolidated ($m)	On demand	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
As at 30 June 2015						
Trade and other payables	–	610.6	–	–	–	**610.6**
Bonds payable	–	37.5	317.5	66.4	464.9	**886.3**
Interest rate swaps	–	(4.3)	(6.3)	–	–	**(10.6)**
Financial guarantee contracts[1]	–	0.5	–	–	–	**0.5**
	–	**644.3**	**311.2**	**66.4**	**464.9**	**1,486.8**
As at 30 June 2014						
Trade and other payables	–	575.1	–	–	–	**575.1**
Bonds payable	–	37.5	37.5	361.8	487.1	**923.9**
Interest rate swaps	–	(4.4)	(4.3)	(6.3)	–	**(15.0)**
Financial guarantee contracts[1]	–	64.6	–	–	–	**64.6**
	–	**672.8**	**33.2**	**355.5**	**487.1**	**1,548.6**

1 This represents the maximum amount that could be called on by the counterparty. The present value of this amount is $0.5 million (2014: $59.8million).

Interest rate risk management

The Group's objective in managing interest rate risk is to minimise interest rate exposure by matching asset and liability positions to achieve a natural hedge, whilst ensuring that an appropriate level of flexibility exists to accommodate potential changes in funding requirements. Interest rate risk is measured by regularly reviewing the net exposure from interest-bearing assets and liabilities. The risk is managed by the use of interest rate swap contracts wherein the Group agrees to exchange the difference between the fixed and floating rate interest amounts calculated on agreed notional principal amounts.

Exposure

The Group's primary exposure to interest rate risks of interest-bearing financial assets and financial liabilities is set out below. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

	Carrying amount	
Consolidated ($m)	2015	2014
Financial assets		
Cash and cash equivalents (floating rate)	249.6	226.1
Financial liabilities		
Bonds payable (fixed rate)	713.7	713.9
Interest rate swaps (fixed rate)	(290.8)	(291.3)
Interest rate swaps (floating rate)	279.6	279.9

Interest rate risk sensitivity

An interest rate sensitivity analysis of the Group at the reporting date has been performed, using a 40 basis point (2014: 60) change to quantify the possible risk based on Australian Government Department of Finance guidance and holding all other variables constant.

Using the exposure to interest rates from financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the period, the sensitivity analysis indicated that the impact on profit after tax at reporting date would be $0.6 million (2014: $1.0 million) increase/decrease in profit after tax.

Interest bearing liabilities

Included within the financial instruments table in note D1 is the consolidated borrowing position of the Group at 30 June, comprising the following fixed-rate unsecured bonds:

Consolidated ($m)	2015	2014
Payable in less than 1 year	–	–
Current loan liabilities	**–**	**–**
Payable in 1–5 years	290.8	291.3
Payable in over 5 years	422.9	422.6
Non-current loan liabilities	**713.7**	**713.9**

D2 MANAGING OUR FINANCIAL RISK (CONTINUED)

Foreign currency risk management

The Group has obligations with overseas postal administrations which are invoiced in Special Drawing Rights (SDR) and settled in Euros (EUR) and United States Dollars (USD). The SDR is a basket currency composed of fixed quantities of the four major traded currencies (USD, Japanese Yen, EUR and Pound Sterling). The composition of the basket is set by the International Monetary Fund. International mail receipts and payments are highly variable in amount and timing as well as being ongoing in nature. For the Group, the requirement to settle in a foreign currency exposes it to the risk that future cash payment amounts may fluctuate due to changes in the foreign exchange rates. The Group undertakes hedging strategies with respect to the SDR exposure using forward exchange contracts, options & collars. These aim to mitigate the volatility experienced in the income statement caused by movements in the SDR/AUD exchange rate. Each foreign currency exposure, other than SDR, is measured and managed on an item by item basis and individual exposures over $0.5 million are hedged through the use of forward currency contracts.

Exposure

The carrying amount of monetary assets and monetary liabilities as at balance date is as follows:

Consolidated (AUD $m)	2015	2014
Trade and other receivables	154.7	170.3
Trade and other payables	(71.0)	(57.3)
Cash on hand	8.1	1.5
Net exposure	**91.8**	**114.5**

Of the total $91.8 million of foreign currency denominated exposures, $83.7 million is SDR, $6.9 million is USD, $0.1 million is NZD, $0.8 million is GBP and $0.3 million is EUR (2014: Total of $114.5 million is $111.8 million of SDR, $2.1 million of USD, $0.1 million of NZD, $0.4 million is GBP and $0.1 million is EUR).

Other major sources of foreign exchange transaction risk are as a result of foreign sourced and priced capital equipment, purchases or sales in foreign currencies (including fuel purchases) and foreign currency bank accounts.

Foreign currency sensitivity

The following table details the effect on profit after tax as at 30 June from a 10.9 per cent (2014: 11.5 per cent) favourable/unfavourable change in the Australian dollar based on Australian Government Department of Finance guidance with all other variables held constant. The sensitivity analyses below have been determined based on the exposure to foreign currencies from financial instruments at the reporting date. A positive number indicates an increase in profit after tax, while a negative number indicates a reduction in profit after tax.

Consolidated ($m)	2015	2014
Strengthening of the Australian dollar from:		
Financial assets	(15.3)	(12.4)
Financial liabilities	4.9	4.1
	(10.4)	**(8.3)**
Weakening of the Australian dollar from:		
Financial assets	15.3	12.4
Financial liabilities	(4.9)	(4.1)
	10.4	**8.3**
Impact on other comprehensive income at reporting date, with all other variables held constant, of a:		
Strengthening of the Australian dollar from:		
Financial assets	(7.9)	(5.8)
	(7.9)	**(5.8)**
Weakening of the Australian dollar from:		
Financial assets	7.9	5.8
	7.9	**5.8**

The receivables and payables denominated in SDR, for which the sensitivity is shown in the table above, are not necessarily representative of the Group's exposure to currency risk for the years ended 30 June 2015 and 30 June 2014. The receivables and payables denominated in SDR are highly variable in amount and timing, in particular due to the timing of receipts and settlements with overseas postal administrations.

D3 USING DERIVATIVES TO HEDGE RISK

Types of hedging instruments

The Group uses the following types of derivative financial instruments as part of its risk management strategy:

Interest rate swaps

Interest rate swaps are used to manage the exposure to interest rate movements arising from Group borrowings. Under interest rate swap contracts the group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held.

The following table details the notional principal amounts and remaining terms of fixed for floating interest rate swap contracts as at balance date.

Consolidated	Fixed interest rate %	Notional principal amount $m
2015		
From 1–5 years	5.5	280.0
2014		
From 1–5 years	5.5	280.0

During the year, the Group had interest rate swap contracts which settled on a quarterly basis. The floating rate on the $280 million interest rate swaps is quarterly BBSW plus 131 basis points.

Interest rate swap contracts are designated as fair value hedges in respect of interest rates. The gain or loss from remeasuring the hedging instrument at fair value is recorded in profit or loss and to the extent that the hedge is effective, the carrying amount of the borrowing is adjusted by the gain or loss attributable to the hedged risk through profit or loss.

Foreign currency derivatives

All foreign currency contracts are entered into on the basis of known or projected exposures. The Group has elected to adopt hedge accounting in respect of some of its foreign currency hedging exposures, excluding SDR. The fair value of foreign currency contracts designated as hedging instruments is a net asset of $0.4 million (2014: net asset of $0.5 million) for the Group.

The portion of the gain or loss on the designated forward currency contracts that are determined to be effective hedges is deferred in other comprehensive income and will be recognised in the measurement of the underlying transaction.

As at balance date, the aggregate amount of unrealised gains/losses under foreign forward currency contracts deferred in the hedging reserve related to contracted future payments for inventory and capital expenditure. It is anticipated that the payments will mostly take place within 24 months (2014: 12 months) after reporting date at which stage the amount deferred in equity will be included in the initial cost of the inventory and capital equipment.

It is anticipated that the amounts in relation to inventory will impact the statement of comprehensive income over the next one year and amounts in relation to equipment capital expenditure will impact the statement of comprehensive income over the next 5 to 20 years after the assets are available for use.

The Group hedges its expected SDR revenue flows and has elected not to adopt hedge accounting on these contracts. The gain or loss from remeasuring these SDR contracts is recorded in profit and loss.

The following table details the foreign currency contracts outstanding as at balance date:

Consolidated	Average exchange rate	Notional amount (foreign currency) $m
2015		
BUY USD		
0–6 months	0.790	20.3
over 6 months	0.780	1.9
over 12 months	0.771	3.1
		25.3
BUY EUR		
0–6 months	0.681	10.5
over 12 months	0.676	25.7
		36.2
BUY GBP		
0–6 months	0.510	0.8
7–12 months	0.502	0.2
		1.0
BUY JPY		
0–6 months	93.638	140.1
over 12 months	89.507	2,382.2
		2,522.3
Sell SDR		
0–6 months	1.777	72.1
7–12 months	1.823	34.8
		106.9
2014		
BUY USD		
0–6 months	0.911	12.6
over 6 months	0.859	0.1
		12.7
BUY EUR		
0–6 months	0.697	31.6
7–12 months	0.680	7.4
over 12 months	0.675	6.3
		45.3
BUY GBP		
0–6 months	0.542	0.5
		0.5

D3 USING DERIVATIVES TO HEDGE RISK (CONTINUED)

Recognition and measurement of derivatives

Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to fair value.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of comprehensive income, except for derivatives designated in a cash flow hedge arrangements with the effective portion recognised in other comprehensive income.

The fair value of non-optional derivatives is determined based on discounted cash flow analysis using the applicable yield curve or forward curve (commodity) for the duration of the instrument. The fair value of optional derivatives is determined based upon valuation techniques consistent with accepted industry practice.

Derivative instruments are classified as current or non-current based on an assessment of the facts and circumstances pertaining to the derivative (i.e. the underlying contracted cash flows) and whether its designated in a hedge relationship.

Hedge accounting

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine their effectiveness.

Hedge accounting designations

Cash flow hedges

Used by the Group to hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a highly probable forecast transaction.

For cash flow hedges, the portion of the gain or loss on the hedging instrument that is effective is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts recognised in equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale occurs or the asset is consumed. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or roll over, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Fair value hedges

Used by the Group to hedge the exposure to changes in the fair value of a recognised asset or liability or unrecognised firm commitment.

The carrying value of the hedged item is adjusted for gains and losses attributable to the risk being hedged. The derivative is also remeasured to fair value, with the net gain or loss recognised in the statement of comprehensive income.

If the hedged item is a firm commitment (and therefore not recognised), the subsequent cumulative change in the fair value of the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in the statement of comprehensive income.

The Group discontinues fair value hedge accounting if the hedge instrument expires or is sold, is terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the group revokes the designation.

If the hedged item is a financial instrument for which the effective interest method is used, the accumulated changes in its carrying value are amortised to profit or loss over the remaining life of the instrument from the point at which hedge accounting is discontinued.

D4 FAIR VALUE MEASUREMENT

Fair value measurements recognised in the balance sheet

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated balance sheet approximates their fair value.

Consolidated ($m)	Carrying amount	Fair value
2015		
Financial assets		
Finance lease receivable	103.3	112.2
Financial liabilities		
Bonds payable	713.7	749.0
2014		
Financial assets		
Finance lease receivable	103.3	103.2
Financial liabilities		
Bonds payable	713.9	738.1

The financial assets and liabilities not measured at fair value in the consolidated balance sheet disclosed above are categorised as level 2 with the fair value of each financial asset and liability determined by discounting the expected future cash flows using the applicable yield curve for assets and liabilities with similar risk and maturity profiles.

All of the Group's derivatives are measured at fair value and are categorised as Level 2.

Valuation of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Other information

This section includes additional financial information that is required by either accounting standards or the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015.*

E1 OUR SUBSIDIARIES

The below is a list of the Group's controlled entities, all of which are incorporated in Australia unless otherwise noted:

	% of entity held by immediate parent	
	2015	2014
AP International Holdings Pty Ltd[1]	100	100
Australia Post Digital MailBox Pty Ltd[4]	100	100
Australia Post Licensee Advisory Council Limited[5]	50	50
Australia Post Services Pty Ltd[6]	100	100
Australia Post Transaction Services Pty Ltd[2]	100	100
Australian Express Transport Pty Ltd[1]	100	100
Australian Express Freight Pty Ltd[1]	100	100
AUX Investments Pty Ltd[4]	100	100
corProcure Pty Ltd[1]	100	100
Decipha Pty Ltd[4]	100	100
Discount Freight Express Pty Ltd[1]	100	100
DFE Pty Ltd[1]	100	100
DFE Transport Pty Ltd[1]	100	100
Geospend Pty Ltd[1]	100	100
Lakewood Logistics Pty Ltd[1]	100	100
Mardarne Pty Ltd[1]	100	100
Multigroup Distribution Services Pty Ltd[1]	100	100
Our Neighbourhood Pty Ltd[1]	100	100
Our Neighbourhood Trust[7]	100	100
POLi Payments Pty Ltd[1]	100	–
Post Fulfilment Online Pty Ltd[1]	100	100
Post Logistics Australasia Pty Ltd[1]	100	100
Postcorp Developments Pty Ltd[1]	100	100
PostLogistics Pte Ltd[3]	100	100
SecurePay Holdings Pty Ltd[4]	100	100
SecurePay Pty Ltd[4]	100	100
Sprintpak Pty Ltd[1]	100	100
Star Track Couriers Pty Ltd[1]	100	100
Star Track Express Holdings Pty Ltd[4]	100	100
Star Track Express Investments Pty Ltd[4]	100	100
Star Track Express Pty Ltd[4]	100	100
Star Track Pty Ltd[1]	100	100
StarTrack Retail Pty Ltd[4]	100	100
Star Track Special Services Pty Ltd[1]	100	100

1 Small proprietary entity not required to prepare and lodge audited financial statements with Australian Securities and Investments Commission (ASIC).

2 Large proprietary company and is required to prepare and lodge audited financial statements with ASIC.

3 Entity incorporated in Hong Kong and not audited by the Australian National Audit Office.

4 Large proprietary company and has entered into a deed of cross guarantee with Australia Post Transaction Services Pty Ltd as the holding entity. Therefore, this entity is not required to prepare and lodge audited financial statements with ASIC in accordance with the relief provisions set out in Class Order 98/1418.

5 Entity limited by guarantee required to prepare and lodge audited financial statements with ASIC. Australia Post owns 50% of the entity, controls the voting rights and has exposure to variability in returns and therefore consolidates this entity. The members of the entity own the remaining 50%.

6 Formerly SnapX Pty Ltd. This company received approval of its name change from ASIC on 28 April 2014. Small proprietary entity which holds an Australian Financial services licence and is required to prepare and lodge audited financial statements with ASIC.

7 Not-for-profit entity required to prepare and lodge audited financial statements with the Australian Charities and Not-for-profits Commission.

E2 LEASES

Recognition and measurement

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the date of inception. It also requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. The Group is party to both finance leases and operating leases. A finance lease transfers substantially all the risks and benefits incidental to ownership of the leased item, whereas an operating lease does not transfer substantially all these risks and rewards.

Below outlines the leases that the Group is party to where the underlying leased assets are not on the consolidated balance sheet.

Finance leases for assets the Group leases to third parties

The Group has a finance lease receivable relating to the disposal in 1996–97 of the Sydney GPO heritage site under a 99 year lease. The agreement included a seven-year rent-free period to the lessee, followed by a guaranteed minimum rental.

The reconciliation of minimum lease payments to lease receivable is as follows:

Consolidated ($m)	2015	2014
Gross minimum finance lease rentals receivable	529.8	536.3
Finance lease revenue not yet recognised	(426.5)	(433.0)
Total	**103.3**	**103.3**
Minimum finance lease rentals receivable:		
– within one year	6.5	6.5
– from one year to five years	26.0	26.0
– over five years	497.3	503.8
Total	**529.8**	**536.3**
Finance lease receivable[1]	103.3	103.3
• Current	6.5	6.5
• Non current	96.8	96.8

1 The lease commitments receivable at year-end equals the minimum lease payments, as there are no material contingent payments or unguaranteed residual value relating to this lease agreement.

Operating leases for assets the Group leases from external parties

The Group leases a total of 890 properties. These are under operating leases with various occupancy terms that are due to expire in the next one to fifteen years. The leased property portfolio comprises 57 commercial, 300 industrial, 6 residential, 518 retail and 9 general sites.

Leases generally provide the Group with a right of renewal, at which time the commercial terms are renegotiated. Lease payments generally comprise a base amount plus an incremental contingent rental based on movements in the Consumer Price Index and reviews to market-based levels.

Consolidated ($m)	2015	2014
Minimum lease payments	205.6	221.1
Contingent rentals	0.9	2.1
Operating lease rentals[1]	**206.5**	**223.1**

1 Full details of the ageing of the Group's operating lease commitments is contained in the schedule of commitments.

E3 AUSTRALIAN POSTAL CORPORATION

Corporation ($m)	2015	2014
Current assets	1,101.2	1,104.5
Total assets	4,937.0	4,397.0
Current liabilities	1,621.5	1,540.2
Total liabilities	3,038.6	2,715.2
Contributed equity	400.0	400.0
Retained profits	1,491.9	1,273.9
Asset revaluation reserve	7.5	7.5
Hedging reserve	(1.0)	0.4
Net Equity	**1,898.4**	**1,681.8**
Net (loss)/profit of the parent entity	(153.8)	133.3
Total comprehensive income of the parent entity	371.8	240.3

Australian Postal Corporation, which is the parent and controlling entity of the Australian Postal Corporation Group, also has:

- contingent liabilities which relate to legal liability claims that have been lodged against the Corporation, including motor vehicle accident and personal injury claims in the amount of $2.5 million (2014: $7.2 million);
- issued bank guarantees amounting to $150.3 million which represent guarantees supporting workers compensation self insurance licences in various jurisdictions;
- contractual obligations which relate to sub-lease rent receivables and operating lease receivables in the amount of $172.6 million (2014: $147.9 million). Capital commitments of the parent entity in relation to land and buildings and plant and equipment amount to $148.4 million (2014: $118.1 million); and
- operating lease commitments of $629.9 million (2014: $651.6 million) and other commitments relating to carriage and delivery of letters and parcels by contractors of $2,130.6 million (2014: $2,334.2 million).

E4 AUDITORS' REMUNERATION

The Corporation's auditor is the Australian National Audit Office who has retained Ernst & Young (Australia) to assist with the assignment.

Amounts received or due and receivable by the Corporation's auditors for the following:

Consolidated ($)	2015	2014
An audit or review of the financial statements of the entity and any other entity in the consolidated entity	1,655,000	1,596,500
– assurance related	195,000	190,000
– special audits required by regulators[1]	103,000	135,785
– other non-audit related[1]	236,200	600,970
Total auditors' remuneration	**2,189,200**	**2,523,255**

1 These services are performed by Ernst & Young (Australia) directly and include due diligence, governance, compliance and research services.

E5 CONTINGENCIES

The Group has the following contingent assets and liabilities as at 30 June 2015. Due to the nature of the Group's contingent liabilities, the Group is not able to ascertain with any certainty the expected timing of any cash outflow that may arise, or the probability of reimbursement.

	Guarantees		Claims for damages or other costs		Total	
Consolidated ($m)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Balance from previous period	223.9	212.1	7.2	3.5	231.1	215.6
New contingent liabilities recognised	3.3	6.1	59.4	7.3	62.7	13.4
Re-measurement	6.6	6.0	3.1	4.7	9.7	10.7
Liabilities realised	–	–	(24.9)	(6.6)	(24.9)	(6.6)
Rights expired	(11.6)	(0.3)	(6.3)	(1.7)	(17.9)	(2.0)
Total contingent liabilities	**222.2**	**223.9**	**38.5**	**7.2**	**260.7**	**231.1**
Balance from previous period	9.2	7.8	–	0.5	9.2	8.3
New contingent assets recognised	0.7	1.7	–	–	0.7	1.7
Assets realised	–	–	–	–	–	–
Rights expired	(0.6)	(0.3)	–	(0.5)	(0.6)	(0.8)
Total contingent assets	**9.3**	**9.2**	**–**	**–**	**9.3**	**9.2**
Net contingent liabilities	**212.9**	**214.7**	**38.5**	**7.2**	**251.4**	**221.9**

Recognition and measurement

Contingent liabilities and contingent assets arise when:

- there is sufficient uncertainty as to the existence of a liability or asset; or
- an existing liability or asset where settlement is not probable; or
- the amount of a liability or asset cannot be reliably measured.

They are not recognised in the balance sheet but are reported in the relevant schedules and notes. Contingent assets are disclosed when settlement is probable, and contingent liabilities are disclosed when settlement is considered remote.

Guarantees

Relate to non-financial guarantees, including bank guarantees over projected workers compensation claims liabilities arising from the Group's self insurance of its liability for workers' compensation as a licence holder under the Safety, Rehabilitation and Compensation Act 1988 (SRC Act).

Claims for damages or other costs

Arise from legal liability claims that have been lodged against the Corporation and subsidiaries, including motor vehicle accident and personal injury claims.

Insurance

Generally, the Corporation self-insures its own risks. However, with respect to catastrophic losses appropriate insurance coverage for both the Corporation and its subsidiaries has been arranged with general insurers. Payments received on account of losses in any year are recognised in other income or as an offset against cost incurred, as is appropriate. Insurance premiums are recognised in other expenses as incurred. Where appropriate, the subsidiaries insure their other risks with general insurers. At 30 June 2015, there is no material contingent liability with respect to the Group's self insurance activities.

E6 OTHER ACCOUNTING POLICIES

a) Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

The *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (Rule)*, which was made under the *Public Governance, Performance and Accountability Act 2013*, commenced on 1 July 2014. This rule sets out the minimum financial reporting requirements for all Commonwealth reporting entities in the preparation of their financial statements.

The key impact on the Group's financial statements from the introduction of the Rule is the alignment of key management personnel remuneration disclosure with the requirements of *AASB 124 Related Party Disclosures*.

b) Change in Accounting Estimate

During the reporting period, the Group of 100 and Actuaries Institute of Australia determined that Australia now has a sufficiently deep market in high quality corporate bonds, such that corporate bond rates can be used to discount long term employee obligations under *AASB 119 Employee Benefits*. As a result, the Group revised its estimates of the carrying value of long term employee benefits to use the market yields on corporate bonds as the discount factor.

To the extent that the change in accounting estimate gives rise to changes in the carrying value of the Group's employee benefit liabilities, this change has been recognised by adjusting the carrying amount. The impact of this change is as set out below.

Impact on the balance sheet

Corporation ($m)	2015
Annual leave provision	1.7
Long service leave provision	34.0
Net superannuation asset	347.2
Increase in net assets	**382.9**

As at reporting date, the effect of this change on future reporting periods has not been determined, as calculation of the amount is impracticable.

c) Exemption from the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*

Rule 25(2) of the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* requires the use of the market yield on Australian Government bonds to be referenced when determining a discount rate for employee benefit liabilities under *AASB 119 Employee Benefits*.

The Minister for Finance has granted an exemption from this requirement to for-profit Commonwealth entities and such entitites are instead required to use the market yield on high quality corporate bonds when discounting their employee benefit obligations.

Accordingly, the carrying values disclosed in notes C1 and C3 were determined using the corporate bond rates.

For comparative purposes, the carrying values of the Group's long term employee benefits when calculated with reference to the Australian Government bond rate set out below:

Corporation ($m)	2015
Net superannuation asset	265.7
Annual leave provision	179.6
Long service leave provision	444.8

d) Accounting for goods and services taxes

Revenues, expenditures and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

e) Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. Initial cost of inventories also includes the transfer of gains and losses on qualifying cash flow hedges, recognised in other comprehensive income. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price including import duties and other taxes (other than those subsequently recoverable by the Group from the taxation authorities), transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase; and
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of variable and fixed overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Where this is lower than cost, inventory impairment is recognised.

f) Current/Non-Current Classification

Assets are disclosed as current when they are expected to be converted to cash or receivable within 12 months of 30 June 2015. Liabilities are disclosed as current when they are due within 12 months of 30 June 2015.

E6 OTHER ACCOUNTING POLICIES (CONTINUED)

g) New and amended Australian Accounting Standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2014:

Reference	Description
AASB 2012–3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	Sets out application guidance to AASB 132 to address inconsistencies identified in applying some offsetting criteria of AASB 132. There were no material change to the Group's financial statements from the initial application of this standard.
AASB 2014–1 Part A: Annual Improvements to IFRSs 2010–2012 Cycle	This standard sets out amendment to a number of IFRS including clarification of the definitions in IFRS 2 Share-based Payment and IAS 24 Related Party Disclosures, removing references to IAS 37 Provisions, Contingent Liabilities and Contingent Assets in IFRS 3 Business Combinations and requiring additional disclosures in IFRS 8 Operating Segments. There were no material change to the Group's financial statements from the initial application of these standards.
AASB 2014–1 Part A: Annual Improvements to IFRSs 2011–2013 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB and clarified requirements for IFRS 13 and IAS 40. There were no material change to the Group's financial statements from the initial application of these standards.
AASB 2014–Part B Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)	AASB 2014–Part B makes amendments in relation to the requirements for contributions from employees or third parties that are set out in the formal terms of the benefit plan and linked to service. The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. There were no material change to the Group's financial statements from the initial application of this standard.

h) New and amended Australian Accounting Standards not yet adopted

The following standards, amendments to standards and interpretations are relevant to current operations but have not been applied by the Group in this financial statements.

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for Group
AASB 9	Financial Instruments	Amendments to AASB 9 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010–7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Management is yet to complete its assessment what will be the likely impact on the Group's financial statements.	1 January 2018	1 July 2018

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for Group
AASB 2014–4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an tangible asset or amortisation of an intangible asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. These amendments are not expected to have any material impact on the Group's financial statements.	1 January 2016	1 July 2016
AASB 15	Revenue from Contracts with Customers	AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management is yet to complete its assessment what will be the likely impact on the Group's financial statements.	1 January 2018	1 July 2018
AASB 2013–9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	The standard contains three main parts and makes amendments to a number of Standards and Interpretations. • Part A makes consequential amendments arising from the issuance of AASB CF 2013–1. • Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. • Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments. These amendments are not expected to have any material impact on the Group's financial statements.	Part A – periods ending on or after 20 December 2013 Part B – periods beginning on or after 1 January 2014 Part C – reporting periods beginning on or after 1 January 2015	Part A – period ending 30 June 2014 Part B – period beginning 1 July 2014 Part C – period beginning 1 July 2015
AASB 2014–9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	AASB 2014–9 amends AASB 127 Separate Financial Statements, and consequentially amends AASB 1 First-time Adoption of Australian Accounting Standards and AASB 128 Investments in Associates and Joint Ventures, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014–9 also makes editorial corrections to AASB 127. These amendments are not expected to have any material impact on the Group's financial statements.	1 January 2016	1 July 2016

E6 OTHER ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for Group
AASB 2014–10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	AASB 2014–10 amends AASB 10 Consolidated Financial Statements and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: (a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and (b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. AASB 2014–10 also makes an editorial correction to AASB 10. These amendments are not expected to have any material impact on the Group's financial statements.	1 January 2016	1 July 2016
AASB 2015–1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	The subjects of the principal amendments to the standards are set out below: **AASB 5 Non-current Assets Held for Sale and Discontinued Operations:** • Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. **AASB 7 Financial Instruments: Disclosures:** • Servicing contracts – clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. • Applicability of the amendments to AASB 7 to condensed interim financial statements – clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134. **AASB 119 Employee Benefits:** • Discount rate: regional market issue – clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. **AASB 134 Interim Financial Reporting:** • Disclosure of information 'elsewhere in the interim financial report' – amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information. These amendments are not expected to have any material impact on the Group's financial statements.	1 January 2016	1 July 2016

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for Group
AASB 2015–2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. These amendments are not expected to have any material impact on the Group's financial statements.	1 January 2016	1 July 2016
AASB 2015–3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	The standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards. These amendments are not expected to have any material impact on the Group's financial statements.	1 January 2015	1 July 2015
AASB 2015–5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	This makes amendments to AASB 10, AASB 12 Disclosure of Interests in Other Entities and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities. These amendments are not expected to have any material impact on the Group's financial statements.	1 January 2015	1 July 2015
AASB 2015–5	Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities	This makes amendments to AASB 124 Related Party Disclosures to extend the scope of that standard to include not-for-profit public sector entities. These amendments are not expected to have any material impact on the Group's financial statements.	1 January 2016	1 July 2016

Community service obligations

Australia Post's community service obligations (CSOs) are set out in s27 of the *Australian Postal Corporation Act 1989* (the Act) which requires that:

- **the corporation provide a letter service for both domestic and international letter traffic;**
- **the service be available at a single uniform rate within Australia for standard letters;**
- **the service be reasonably accessible to all Australians wherever they reside; and**
- **the performance standards for the service reasonably meet the social, industrial and commercial needs of the community.**

Performance standards

Regulations made under s28C of the Act detail the particular standards required to meet these obligations. Performance against these standards is subject to independent audit by the Australian National Audit Office (ANAO).

All of the prescribed standards were **met or exceeded in 2014/15**. The actual result for each standard is outlined in the table below. The associated ANAO Audit Report is reproduced on pages 108 to 109.

Organisational arrangements

The ongoing focus on CSO compliance is maintained by Australia Post's Head of Board & Shareholder Liaison in its headquarters and nominated CSO representatives nationally.

CSO costs

There is a financial cost associated with meeting CSOs. That cost arises when the charge made for any mandated service does not recover the cost of its delivery. The cost is measured on a net basis (that is, after reduction of related revenue) and is funded by internal cross-subsidy within the letters service.

For 2014/15 (calculated on the avoidable-cost methodology), CSO costs are estimated to be $210.8 million.

Performance Standards

Standard	2014/15 performance
Lodgement	
10,000 street posting boxes	15,591^
Delivery timetables	
Same state	
Metro – next business day	Maintained
Metro to country – second business day	Maintained
Between country areas – second business day	Maintained
Interstate	
Metro to metro – second business day	Maintained
Between metro and country – third business day	Maintained
Between country areas – fourth business day	Maintained
On-time delivery	
94.0% of reserved services letters	94.8%^
Access	
4,000 retail outlets (2,500 in rural and remote areas)	4,406^ (2,554^ in rural and remote areas)
Retail outlets located so that:	
– in metropolitan areas at least 90% of residences are within 2.5km of an outlet	93.6%^
– in non-metropolitan areas at least 85% of residences are within 7.5km of an outlet	88.8%^
Delivery frequency	
98.0% of delivery points to receive deliveries five days a week	98.8%^
99.7% of delivery points to receive deliveries no less than twice a week	99.9%^

^ Results as at 30 June 2015

Auditor General's Report Performance Standards

Auditor-General for Australia

Australian National Audit Office

INDEPENDENT AUDITOR'S COMPLIANCE REPORT

To the Minister for Communications

Report on the Extent to which the Australian Postal Corporation has complied with the *Australian Postal Corporation (Performance Standards) Regulations 1998* for the year ended 30 June 2015

I have audited the Australian Postal Corporation's compliance with the Performance Standards prescribed in the *Australian Postal Corporation (Performance Standards) Regulations 1998* (the Regulations) for the year ended 30 June 2015.

The Performance Standards require the Australian Postal Corporation to:

(a) service 98% of all postal delivery points daily (except on a Saturday, a Sunday or a public holiday) and 99.7% of all postal delivery points at least two days each week (Regulation 5);

(b) deliver at least 94% of reserved services letters to the indicated or appropriate address within the delivery time mentioned for the address according to the prescribed timetable (Regulation 6);

(c) maintain mail lodgement points in Australia for the lodgement of postal articles (other than bulk mail) at each of its retail outlets and maintain at least 10,000 street posting boxes (Regulation 8); and

(d) maintain at least 4,000 retail outlets at which products and services can be purchased; locate at least 50% of the retail outlets in zones classified as rural or remote, and in any event, not fewer than 2,500 retail outlets; locate a retail outlet in a metropolitan area such that at least 90% of residences are within 2.5 kilometres of a retail outlet; and locate a retail outlet in a non-metropolitan zone such that at least 85% of residences are within 7.5 kilometres of a retail outlet (Regulation 9).

Respective Responsibilities

The directors of the Australian Postal Corporation are responsible for compliance with the Performance Standards.

My responsibility is to express a conclusion on compliance with the Performance Standards by the Australian Postal Corporation, in all material respects. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the applicable Standard on Assurance Engagements ASAE 3100 *Compliance Engagements*, to

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provide reasonable assurance that the Australian Postal Corporation has complied with the Performance Standards. Accordingly, I have performed such tests and procedures as considered necessary in the circumstances. My procedures included obtaining an understanding of the compliance measures and examining, on a test basis, evidence supporting the operation of these compliance measures. These procedures have been undertaken to form a conclusion whether, in all material respects, the Australian Postal Corporation has complied with the Performance Standards during the year ended 30 June 2015.

Inherent Limitations

Because of the inherent limitations of any compliance audit, it is possible that fraud, error or non compliance may occur and not be detected. An audit is not designed to detect all instances of non compliance with the Performance Standards, as an audit is not performed continuously throughout the year and the audit procedures performed in respect of compliance with the Performance Standards are undertaken on a test basis. The audit conclusion expressed in this report has been formed on the above basis.

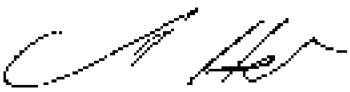
Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Conclusion

In my opinion, the Australian Postal Corporation has, in all material respects, complied with the Performance Standards prescribed in the *Australian Postal Corporation (Performance Standards) Regulations 1998* for the year ended 30 June 2015.

Australian National Audit Office



Grant Hehir
Auditor-General

Canberra
27 August 2015

Domestic Letter Service Monitor (TNS)

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Australia

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www.tnsglobal.com

July 22, 2015

To The Board of the Australian Postal Corporation

Re: Yearly Basic Monitor Result Certification

We have undertaken an independent monitor of Australia Post's domestic letter service against its delivery undertakings for the year ended June 2015 in accordance with the requirements of the Australian Postal Corporations Act 1989.

Our monitor was based on a properly prepared, statistically valid sample of approximately 378,139 test letters. The sample size was determined with regard to information that Australia Post supplied about the postal network design parameters.

Our testing involves comparing the delivery time taken for each test letter with Australia Post's delivery undertaking for the mail path concerned.

Test letters represented the full range of letter sizes and types recognised as ordinary mail, posted in locations having a daily clearance to locations having a daily delivery, from small to large and including window-faced envelopes. They were addressed by hand and machine fonts, reflecting the varied mailing practices of postal users.

All addressing was in accordance with Australia Post's specifications for the proper preparation of letter mail. The letters, as specified under the terms of our contract, were indistinguishable from other mail flowing through the Australia Post network.

Our process for calculating the delivery performance was independently audited by Deloitte.

For the year ending June 2015 the sample used by TNS Australia was consistent with the sample frame provided by Australia Post. The attached certification from Deloitte states that "nothing has come to our attention that would suggest that the results reported by TNS Australia for the year ended 30/06/2015 have not been calculated in accordance with the agreed business rules or do not fairly represent the performance of Australia Post's basic letter service for that period."

Results

For the year ended June 2015, the monitor showed that Australia Post delivered 94.8 per cent of all letters early or on time, and 98.6 per cent of letters were delivered on time or not more than one working day after your delivery undertakings.

Opinion

In our opinion based upon the audit procedures conducted, at a 95 per cent confidence level and with a maximum weighted actual precision limit of 0.1 per cent, these results present fairly the performance of Australia Post's domestic letter service for the year ended June 2015 against the scope provided.

Yours faithfully,

Tania Kullmann
Managing Director
TNS

Margaret Persico
Director
TNS

Survey Certification

Deloitte.

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21 July 2015

Independent Assurance Report on TNS Australia calculation of Australia Post Performance Metric for Basic Letters for the period 01 July 2014 to 30 June 2015

TNS Australia perform an external mail monitoring service covering basic (domestic) letters carried across the Australia Post Network for Australia Post within a defined set of parameters that have been agreed between Australia Post and TNS Australia.

TNS Australia's Responsibilities

The management of TNS Australia is responsible for the calculation and delivery of the performance metrics to Australia Post in accordance with the agreed business rules. This responsibility includes the design and operation of controls intended to monitor the accuracy of the calculation of the performance metrics.

Deloitte's Responsibilities

At the request of TNS Australia, Deloitte has re-performed the calculation of the delivery performance metric using the data output from the Computer Information System (CIS) in order to express a conclusion on whether, based on the work we have performed, anything comes to our attention to indicate that the calculations performed by TNS Australia have not, in all material respects, been calculated in accordance with the business rules set out in the agreement between TNS Australia and Australia Post dated 11 July 2014 and do not fairly represent the performance of Australia Post's basic letter service.

Our procedures were performed in accordance with Australian Standard on Assurance Engagements ASAE 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" in order to provide limited assurance as defined by that standard. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with ASAE 3000 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

Considering the risk of material error, we planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusion. Key procedures included:

- Interviewing the process owners for the preparation of the Australia Post Performance Metrics
- An evaluation of the implementation of key controls used by management in the preparation of the Australia Post Performance Metrics

Deloitte.

Page 2
21 July 2015

- Independent re-performance of the calculation of the delivery performance metric using data extracted from the CIS system
- Choosing a random sample of invalidated ('dudded') transactions, and obtaining supporting evidence to identify for those transactions in the sample, whether the process (as agreed to between TNS Australia and Australia Post) for 'dudding' transactions was adhered to.

Inherent Limitations

Because of the inherent limitations of any internal control structure it is possible that fraud, error, or non-compliance with the agreed business rules may occur and not be detected. Further, the internal control structure, within which the processes that we have reviewed operate, has not been reviewed and no opinion is expressed as to its effectiveness.

A review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis.

Any projection of the operation of the monitoring processes to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The conclusion expressed in this report has been formed on the above basis.

Independence

In conducting our engagement, we have complied with the independence requirements of APES 110 Code of Ethics for Professional Accountants, issued by the Accounting Professional and Ethical Standards Board.

Use of report

This report has been prepared for distribution to TNS Australia in terms of our engagement letter dated 11 July 2014. We understand that a copy of this report will be provided to Australia Post by TNS Australia. We disclaim any assumption of responsibility for any reliance on this report to Australia Post or to any other persons or users, other than TNS Australia, or for any purpose other than that for which it was prepared.

Findings

The table below compares the national average of the delivery performance metric as calculated by TNS Australia and by Deloitte:

Type of Letter	TNS Australia figure	Deloitte figure
Basic	94.8 (±0.1)	94.8%

Conclusion

Based on the work performed, nothing has come to our attention that would suggest that the results reported by TNS Australia for the year ended 30 June 2015 have not been calculated in accordance with the agreed business rules or do not fairly represent the performance of Australia Post's basic letter service for that period.

Yours sincerely,

Kevin Nevrous
Partner
Deloitte Touche Tohmatsu

Reserved/Non-Reserved Services

2015	Reserved		Non-Reserved [1]		Total	
	$m	%	$m	%	$m	%
Revenue	1,737.3	27.3%	4,631.2	72.7%	6,368.5	100.0%
Expenditure	2,020.7	30.2%	4,674.1	69.8%	6,694.8	100.0%
Profit/(loss) before interest & jointly controlled entities	**(283.4)**	**86.9%**	**(42.9)**	**13.1%**	**(326.3)**	**100.0%**
Net Interest					(26.0)	100.0%
Share of jointly controlled entities profits					0.2	100.0%
					(352.1)	
Income tax benefit/(expense)					130.4	
Profit/(loss) after income tax expense					**(221.7)**	

2014	Reserved		Non-Reserved		Total	
	$m	%	$m	%	$m	%
Revenue	1,771.2	27.8%	4,601.9	72.2%	6,373.1	100.0%
Expenditure	2,013.8	32.3%	4,226.3	67.7%	6,240.1	100.0%
Profit before interest & jointly controlled entities	**(242.6)**	**(182.4%)**	**375.6**	**282.4%**	**133.0**	**100.0%**
Net Interest					(30.0)	100.0%
Share of jointly controlled entities profits					0.0	100.0%
					103.0	
Income tax benefit/(expense)					13.2	
Profit/(loss) after income tax expense					**116.2**	

1 2015 expenditure within the non-reserved services includes the impacts of asset write-offs and impairments as well as a portion of letter restructuring costs associated with our reform program and an update to our cost allocation methodology.

Statutory reporting requirements index

for the year ended 30 June 2015

This Australia Post Annual Report is compliant with the reporting requirements of, and contains information required to be included by, the Public Governance, Performance and Accountability Act 2013, the Australian Postal Corporation Act 1989, and other applicable legislation. Relevant Annual Reporting Orders under the Commonwealth Authorities and Companies Act 1997 (CAC Act) continue to apply to this Annual Report notwithstanding the repeal of the Commonwealth Authorities and Companies Act 1997 on 1 July 2014. To assist readers to locate information in this Annual Report that is required to be included by legislation, the following index identifies where relevant information can be found in this Annual Report.

Section	Subject	Pages
Commonwealth Authorities and Companies Act 1997 – Schedule 1 reporting requirements		
s1(a)	Report of operations	61
s1(b)	Financial statements	64–105
s1(c)	Auditor General's report	62-63
Australian Postal Corporation Act 1989 – general reporting requirements		
s43(a)	Statement of corporate objectives under the corporate plan	118
s43(b)(i)	Overall strategies and policies under the corporate plan	118
s43(b)(ii)	Performance indicators and targets under the corporate plan	118
s43(c)	Assessment of extent to which objectives under s43(a) have been achieved	118
s43(d)	Strategies and policies relating to Community Service Obligations (CSOs)	27, 106
s43(e)	Directions by the Minister under s40(1)(CSOs)	N/A
s43(f)	Assessment of appropriateness and adequacy of strategies and policies for CSOs	106
s43(fa)	Performance standards relating to CSOs	27, 106, 123
s43(g)(i)	Notifications by the Minister under s28 of the CAC Act	118
s43(g)(ii)	Directions by the Minister under s49 of the APC Act	N/A
s43(h)(i)	Impact of Ministerial notifications under s28 of the CAC Act and directions under s49 of the APC Act	118
s.43(h)(ii)	Impact of other Government obligations	118–122
s43(j)	Ministerial power under s33(3) to disapprove postage determinations	N/A
s43(k)	Companies and other associations established or sold	98
s43(m)(i) & (ii)	Shares purchased and disposed of	98
s43(m)(iii)	Subsidiaries	98
s43(n)	Authority to open or examine the contents of postal articles	121
s43(o)	Disclosure of information	121–122
s44(a)	Financial targets	118
s44(b)	Ministerial direction under s40(i) to vary the financial targets	N/A
s44(c)	Progress in achieving the financial targets	118
s44(d)	Dividend payable to the Commonwealth	15, 66–67, 77, 118, 123
s44(e)	Ministerial direction under s54(3) as to dividend	N/A
s44(f)	Capital repaid to the Commonwealth	N/A
s44(g)(i)	Cost impact of CSOs	106
s44(g)(ii)	Cost impact of Ministerial notifications under s28 of CAC Act	N/A
s44(g)(iii)	Cost impact of Ministerial directions under s49 of APC Act	N/A
s44(g)(iv)	Cost impact of other Government obligations	118–119
s44(h)(i) & (ii)	Financial information requested by the Minister in relation to the reserved services and other activities	55

Section	Subject	Pages
Work Health and Safety Act 2011 – reporting requirements		
Sch.2,s4(2)(a)	Health, safety and welfare initiatives	119–120
Sch.2,s4(2)(b)	Health and Safety Outcomes	119–120
Sch.2,s4(2)(c)	Statistics requiring the giving of notice	119–120
Sch.2,s4(2)(d) & (e)	Details of investigations and other matters as prescribed	119–120
Superannuation Benefits (Supervisory Mechanisms) Act 1990		
s6(1)(b)	Report on operation of superannuation arrangement	119
Environment Protection and Biodiversity Conservation Act 1999		
s516A(6)(a) & (b)	Report on the compliance with and contribution to the principles of ecologically sustainable development	44–47
s516A(6)(c)	Effect of activities on environment	44–47
s516A(6)(d)	Measures taken to minimise environmental impact	44–47
s516A(6)(e)	Mechanisms for reviewing and increasing the effectiveness of measures	44–47

Section	Subject	Pages
Commonwealth Authorities (Annual Reporting) Orders 2011		
s10	Enabling legislation	118
s11	Ministers responsible	55
s12(a)	Any directions by responsible ministers under the enabling legislation	N/A
s12(b)	General policies under s28 of the CAC Act which were notified before 1 July 2008 and continue to apply	118
s12(c)	General policies under s48A of the CAC Act	N/A
s13	Directors' information	6–7, 58
s14	*Organisational structure* (a) organisational structure (b) location of major activities and facilities	 121 8–9, 123–124
	Statement on governance: (a) Board committee details (b) Directors' education and performance reviews (c) Ethics and risk management policies	50–58 51–53 51–53 51–57
s15	Related entity transactions	110
s16(a)	Significant events under s15 of CAC Act	55
s16(b)	Operational and financial results	4–5, 14–15, 64–105
s16(c)	Significant changes in affairs or principal activities	N/A
s17(a)	Judicial decisions and decisions of administrative tribunals	N/A
s17(b)	Reports made by outside bodies	N/A
S18	Obtaining information from subsidiaries	N/A
s19	Indemnity and insurance premiums for officers	118
s20(a)(i)	Significant changes in financial structure	N/A
s20(a)(ii)	Events that may affect future operating results	4-5
s20(b)	Dividends paid or recommended	15, 66–67, 77, 118, 123
s20(c)(i)	Community service obligations	27, 106, 123
s20(c)(ii)	Community service obligations	27, 106, 123
s21	Index of annual report requirements	115–117

Statutory reporting requirements

for the year ended 30 June 2015

Introduction

Australia Post is subject to various statutory reporting requirements under the *Public Governance, Performance and Accountability Act 2013*, the *Australian Postal Corporation Act 1989*, the *Work Health and Safety Act 2011*, the *Superannuation Benefits (Supervisory Mechanisms) Act 1990*, and the *Environment Protection and Biodiversity Conservation Act 1999*.

The index on pages 115 to 117 shows where the relevant information can be found in this annual report.

A number of matters are dealt with in the main body of the report. Others are covered below.

Legislation

The powers and functions of Australia Post are set out in Sections 14–19 of the *Australian Postal Corporation Act 1989* (the Act).

Indemnities and insurance premiums for directors and officers

Australia Post has in place a directors' and officers' liability insurance policy. The policy provides cover in respect of any person who is or was a director or officer of Australia Post, when acting in these capacities. Confidentiality requirements within the insurance contracts prohibit any additional disclosures.

Directors of Australia Post are also indemnified by the corporation to the extent permitted by law against any liability incurred in their capacity as a director.

Corporate plan

Each year, Australia Post provides a rolling four year corporate plan. The 2014/2015 plan and associated Statement of Corporate Intent were submitted to shareholder ministers in July 2014, detailing Australia Post's strategic direction under the Future Ready Program.

Objective

Our primary objective is to provide high-quality, efficient services to the community. As much as possible, we will grow dividends and enhance shareholder value.

Strategy

2014/15 was a year of transition, as the Corporation introduced a clear strategy to build an exciting future for Australia Post. The strategy balanced our focus across running, reforming, changing and growing the business.

1. Running the business.

We will deliver results from the substantial programs of work already in place by running our business well. This includes:

- Offering a fully integrated parcels business, focused on customer service;
- Growing our trusted services offering in store and online; and
- Modernising our communications business, physically and digitally.

2. Reforming the business.

We will transition our business model to align with the changing needs of our customers and other major stakeholders.

3. Changing the business.

We will extend our customer value proposition from current product offers to customer-centric solutions

4. Growing the business

We will pursue step change opportunities that return the business to sustainable profit growth.

Targets

Key financial and non-financial performance measures set out in the plan were:

- loss before tax of $152.6 million in the first year of the plan; and
- dividends paid of $nil in the first year of the plan.

Specific targets for 2014/2015 and performance against these targets were as follows.

Performance Indicator	Target(1)	Performance
On-time letter delivery	94.0%	94.8%
Loss before tax	$152.6 million	$352.1 million
Shareholder return on equity	−6.1%	−14.9%
Ordinary dividend declared for 2014/2015	$nil	$nil

(1) The Target above represents running the business without reforming our letters service. Therefore, there was no allowance for the letters restructuring costs including the voluntary redundancy costs associated with our Reform program.

Government policies

In February 2004, the Minister of Communications, Information Technology and the Arts provided formal notification under section 28 of the *Commonwealth Authorities and Companies Act 1997*, that the Government's National Code for the Construction Industry and associated implementation guidelines were to apply to all construction-related activity undertaken by and on behalf of Australia Post. The notification has had no major impact on the Corporation as Australia Post had, since their introduction in 1997, made compliance with the code and guidelines a condition of all of its construction related tenders.

Section 49 of the *Australian Postal Corporation Act 1989* empowers the Minister to give the board written directions in relation to the performance of Australia Post's functions as appear to be necessary in the public interest. No notification or direction has been issued under this provision.

Other government obligations

Administrative Law

The cost of meeting Commonwealth administrative requirements in 2014/2015 is estimated at approximately $1.5 million.

Postal Industry Ombudsman

During 2014/2015 the PIO has estimated the costs of investigating complaints relating to Australia Post to be $550,000.

ACCC record keeping

The cost of the regulatory audit and compliance with the ACCC's record keeping rules in 2014/2015 is estimated at $500,000.

Maintaining heritage properties

The cost of repairing and maintaining heritage listed properties in 2014/2015 was $5.4 million.

Medical/Educational Remote Area Parcel service

The Medical/Educational Remote Area Parcel service provides reduced postage rates for parcels containing health and educational material that are sent to and from people living in remote communities. In the 2014/2015 reporting period, revenue foregone is estimated at $62,000.

Superannuation

All Australia Post employees are provided superannuation benefits of at least the minimum required by law.

From 1 January 2012, Australia Post ceased to offer membership of the Australia Post Superannuation Scheme, which pays a lump sum defined benefit, to new employees engaged under a management contract of employment. From 1 July 2012, this decision was extended to all new employees. New employees may instead join a new default defined contribution superannuation fund, the Australia Post Superannuation Plan, or nominate a complying superannuation fund of their choice.

Work Health and Safety (WHS) report

The following information is presented in accordance with the requirements of Schedule 2, Part 3 and Part 4 of the Work Health and Safety Act 2011 (WHS Act 2011).

The Enterprise Safety Strategy focuses on the key safety and health risks to the business, being workers health and well being (health and fitness or preparedness for work), elimination of harm and care for people who may have been injured at work.

Ensuring a safe working environment is a core value for Australia Post as we continue our journey towards zero injuries and zero tolerance of unsafe acts in our workplaces.

As one of Australia Post's Culture Pillars, Safety is built into all of our recruitment and performance management practices. In this regard, having "the right people with the right behaviours using the right systems to achieve the right outcomes" is the strategic standard applied for selecting and assessing staff.

During the year, Australia Post undertook the following activities aimed at reducing the incidence of work related injuries and illnesses and complying with WHS regulatory requirements. These included:

- Implementing our Health and Safety strategy, focusing on five priorities that underpin our safety program of work:
  - lead and empower our people to live safely;
  - develop and enhance safety systems that support the safety culture we are aiming to create;
  - develop a continuous learning approach to increase injury prevention;
  - increase the visibility and relevance of our safety performance; and
  - encourage and support our people to care for their health and wellbeing both physically and psychologically.
- Implementing leading indicators as KPIs to drive senior leader participation in addressing safety challenges and to increase the focus on preventative safety measures.
- Establishing the Enterprise Safety Council providing leadership and direction on safety issues and activity across the enterprise, including decision making rights that may impact operational decisions and activity.
- Transitioning StarTrack to the WHS Act (2011) Commonwealth on 1 Feb 2015 from state jurisdictions enabling the development of a single Work Health Safety Management system and simplifying our relationship with safety regulators.
- Continuing the rollout of the Safety Leadership cultural transformation initiative to over 2000 operational leaders and supervisors.
- Implementing a "Permission to Pause" program for safety during our annual "Safety Time" stop work for safety activity in October.
- Introduced a redesigned safety incident reporting and investigation system to streamline the processes and improve data capture.
- Reinvigorating our hazard awareness program and increasing collaboration with local councils to improve off-site safety for our people.
- Increasing our engagement with Health and Safety Representatives (HSR) particularly with respect to problem solving on key exposure areas.
- Increasing our focus on the analysis of incidents relating to serious injury and fatality exposure to enable better targeted safety interventions.
- Supporting Senior leaders in shifting the conversation from solely metrics to a communicable message around exposure reduction
- Introducing a process of focused in-cabin safety interactions within Transport to increase understanding of and effect reduction to Drivers injury exposure
- Introducing random alcohol and drug testing in our transport workforce.
- Conducting national vertical slice OHS audits, along functional lines for seven audit sites in accordance with the Corporation's OHS Management System Quality Assurance (OHSMS QA) Program.
- Engaging an independent auditor to conduct Australia Post's national OHSMS QA Program audits in 2012–13.
- Continuing emphasis on our initiatives to address incidents associated with manual handling, load shifting operations and use of motorcycles.
- Launched our Be Well, Be Healthy, Be Happy health and wellbeing program to all employees.

During the year:

- 69 incidents notified to Comcare under section 38
- No seizures made under section 175 or 176
- No improvement notice issued under section 191
- No prohibition notices issued under section 195
- No non-disturbance notices issued under section 198
- No remedial action taken under section 211 or 212
- No written undertakings accepted by Comcare under section 216

- No applications for internal review made under section 224
- No applications for external review made under section 229
- No infringement notices given under section 243
- No prosecution instituted under the Act

There were 21 in-house and 9 public HSR training courses run with a total of number of 255 HSR and Deputy HSR participants trained. 81 HSR's attended the One Day Refresher course.

Freedom of information report

In the year to 30 June 2015, Australia Post received 246 applications under the *Freedom of Information Act 1982*.

These were handled as follows:

Granted in full	118
Granted in part	19
Access refused	43
Withdrawn	19
On hand at 30 June 2014	47

There were 4 applications for internal review received during the year.

No additional costs were incurred in the handling of Freedom of Information requests and related responsibilities in 2014/2015.

Categories of documents

The categories of documents maintained by Australia Post include those relating to:

- corporate organisation and administration
- Australia Post's financial management
- management of assets
- internal administration including policy development and program administration, reports, briefings, correspondence, minutes, submissions, statistics and other documents
- Board submissions relating to the business of Australia Post
- reference material used by staff including guidelines and manuals
- working files
- legal advice.

The categories of documents listed above are maintained by Australia Post in a variety of formats. Some of these documents, along with information on Australia Post's organisation, structure and activities, can be obtained free of charge by accessing Australia Post's website at www.auspost.com.au.

Access to documents

Access to documents under the Freedom of Information Act can be obtained by forwarding a written request to:

Freedom of Information Officer
Legal
Australia Post Headquarters
GPO Box 1777
MELBOURNE VIC 3001

Privacy and access to personal information

Under the *Privacy Act 1988* individuals have, subject to certain exceptions permitted by law, a right to request access to their personal information that is held by Commonwealth agencies and private-sector organisations.

Individuals may apply for access to their personal information held by Australia Post by writing to:

Privacy Manager
Risk & Compliance
Australia Post Headquarters
GPO Box 1777
MELBOURNE VIC 3001

Fraud control

Australia Post has in place an internal control framework which includes strategic, financial, operational and compliance elements designed to deter and detect instances of fraud. This framework is supported by a national '*Fraud and Corruption Policy*' and the Corporation's '*Our Ethics*' policy.

The Corporation's Assurance Group comprises a number of specialist groups responsible for providing risk and compliance, audit, assurance, legal, and security & investigation services to Australia Post.

The Corporate Risk and Compliance group is responsible for an enterprise-wide approach to risk management, including identification, measurement and mitigation of business risks across all areas of the business. The framework and underpinning processes are consistent with the principles of the relevant Standards.

The Internal Audit group applies a systematic risk-based, control and governance methodology to review business operations and related systems, including policies and procedures, which make up the control environment.

The Security Group is a specialised internal group that provides security consultancy, crime analysis and investigative services to Australia Post. The Security Group works closely with law enforcement agencies both within Australia and internationally. There a number of programs in place to manage risk and compliance in specific areas, including fraud.

Examination of mail

International mail
Australia Post is authorised under the Australia Postal Corporation Act to open mail, as required by the Australian Customs Service, in the following circumstances:

- when it is suspected that articles may contain prohibited substances; or
- to determine that appropriate duties/taxes are met.

Australian Customs Service personnel have also been authorised under section 90T of the Act to remove and open articles in excess of a particular weight which Customs reasonably believes may contain certain drugs or other chemical compounds being carried in contravention of a law of the Commonwealth. Customs has also been authorised under section 90FB (3) of the Act to act as an authorised examiner for the purpose of examining mail without opening. (i.e. by x-ray or with drug detection dogs).

Domestic mail
Quarantine inspection officers from a prescribed state or territory (i.e. Western Australia, Tasmania or Northern Territory) are authorised under section 90U of the Act to request Australia Post to open, for inspection, any article for delivery in that prescribed state or territory; where the inspection officer has reasonable grounds to believe the item consists of, or contains, quarantine material.

Section 90UA authorises Australia Post to remove articles from the mail stream where it is suspected that the article consist of, or contain scam mail. Suspected scam mail may also be withdrawn from the mail upon receipt of a written request from a consumer protection agency.

In accordance with Section 90FB, Australia Post has appointed authorised examiners at designated locations where mail can be opened for inspection.

Authorised Australia Post staff may open undeliverable articles at approved locations for the purpose of identifying intended recipient or return addresses. They may also open mail to repair an article or its contents so that the article can be made safe for carriage by post.

Disclosure of information

The Corporation is authorised to disclose information to agencies which have the legislative power to obtain such information. This includes instances relating to enforcement of the criminal law, the protection of the public revenue, the reduction of threats to life and notification of next of kin.

As required under s.43 (o) (i) (ii) of the Act, Tables 1 and 2 overleaf, detail the number of times that such information was disclosed during the year and the authorities or bodies to which it was disclosed.

Our organisational structure

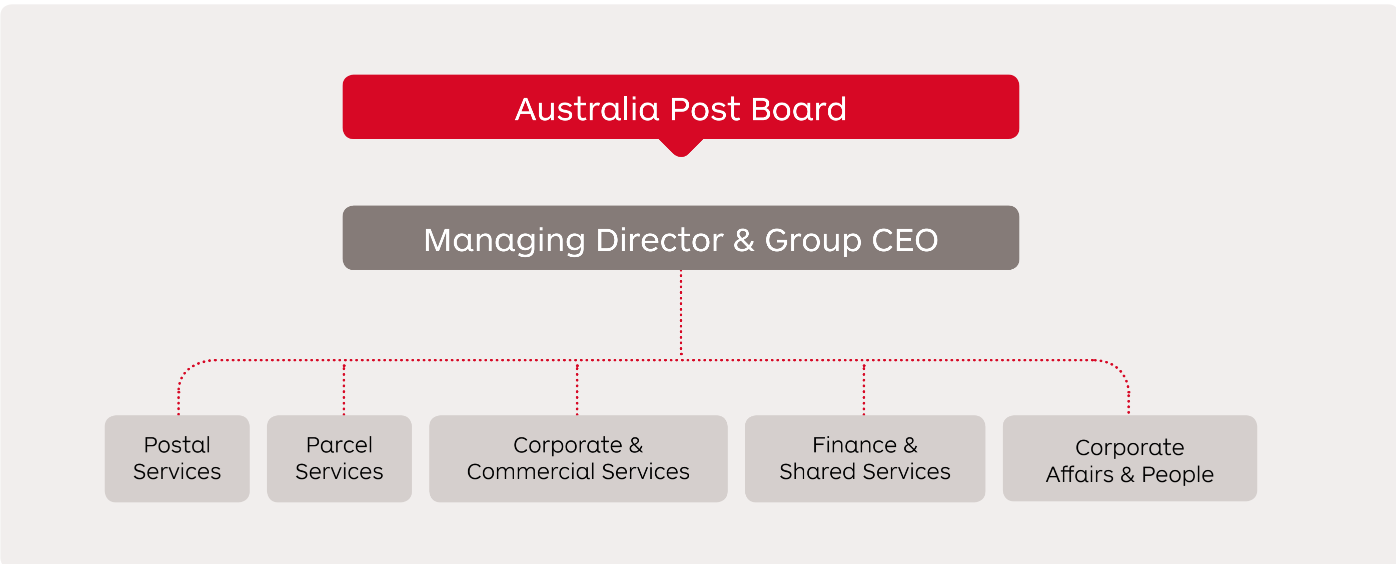

Table 1. Disclosure of information/documents (Section 90J "Authority")*

(Applies to all information or documents)

Authority for disclosure	Number of disclosures	Disclosures made to
Disclosure under warrants [s. 90J(3)]	15	Australian Customs Service (Federal), Australian Federal Police (Federal) Police (QLD), Police (VIC)
Disclosure under a law of the Commonwealth [s. 90J(5)]	756	Australian Commission for Law Enforcement Integrity, Australian Competition & Consumer Commission (Federal), Australian Crime Commission (Federal), Australian Customs Service (Federal), Australian Financial Security Authority (Federal), Australian Taxation Office (Federal), Centrelink (Federal), Child Support Agency (Federal), Department of Immigration and Border Protection (Federal), Medicare
Disclosures under certain laws establishing commissions [s. 90J(6)]	46	Crime Commission (NSW), Corruption Crime Commission (WA)

* There were no disclosures made under s. 90J (7) (8) or (9).

Table 2. Disclosure of information/documents (Section 90K "Authority")*

(Applies to information or documents not specially protected)

Authority for disclosure	Number of disclosures	Disclosures made to
Disclosure to authorised ASIO officer [s. 90K(4)]	3	Australian Security Intelligence Organisation (Federal)
Disclosure for the enforcement of laws or protection of public revenue [s. 90K(5)]	3,117	Australian Fisheries Management Authority (Federal), Australian Communications and Media Authority (Federal), Australian Federal Police (Federal), Australian Securities & Investments Commission (Federal), Civil Aviation Safety Authority (Federal), Consumer & Business Services (SA), Consumer Affairs Victoria (VIC), Corrections Victoria (VIC), Crime and Misconduct Commission (QLD), Crown Solicitor's Office (SA), Department of Agriculture, Department of Agriculture, Fisheries & Forestry Australia, Department of Commerce (WA), Department of Defence (Federal), Department of Education, Employment and Workplace Relations, Department of Environment & Primary Industries (VIC), Department of Environment and Heritage Protection, Department of Foreign Affairs and Trade (Federal), Department of Health & Aged Care (Federal), Department of Justice (QLD), Department of Primary Industries (VIC), Department of Sustainability, Environment, Water, Population and Communities (Federal), Department of Transport (WA), Fair Trading (NSW), Fair Work Ombudsman, Independent Broad-based Anti-Corruption Commission, Police (NSW), Police (NT), Office of Environment & Heritage (NSW), Office of Fair Trading (QLD), Office of State Revenue (NSW), Office of State Revenue (QLD), Office of State Revenue (WA), Police Integrity Commission (NSW), Public Trustee (NSW), Police (QLD), Regional Illegal Dumping Squad (NSW), Residential Tenancies Authority (QLD), RevenueSA (SA), RSPCA (Federal), Sheriff's Office (SA), Police (SA), South Australia Police – Anti-Corruption Branch (SA), State Revenue Office (VIC), Police (TAS), Police (VIC), Police (WA), WorkCover Corporation (SA), WorkCover (NSW)

* There were no disclosures made under s. 90K (2) or (3).

Note: *Commonwealth agencies, unless otherwise indicated.*

Australia Post – the statistics

1 – Five Year Statistical Summary

Consolidated ($m)	2010/11	2011/12	Restated 2012/13	2013/14	2014/15
Revenue ($m)	4,986.5	5,126.2	5,893.2	6,383.3	6,373.8
Expenditure ($m)(1)	4,674.3	4,776.3	5,682.3	6,280.3	6,726.2
Profit / (loss) before tax ($m)(1)	332.3	366.7	210.7	103.0	(352.1)
Total assets ($m)	4,135.1	4,175.8	4,401.5	4,651.2	5,093.2
Return on Average Operating Assets (%)(1)	10.9%	11.5%	6.2%	3.4%	–8.2%
Community service obligations ($m)	144.7	165.2	173.9	205.8	210.8
Total taxes and government charges ($m)	436.2	369.3	447.3	494.2	433.9
Dividends declared ($m)	173.2	213.7	192.7	78.8	0.0
Operations(2)					
Full-time Employees (excludes casuals)	23,323	23,184	23,526	27,315	27,098
Part-time Employees (excludes casuals)	9,865	9,398	8,938	8,613	8,195

(1) Changes to AASB 119 Employee Benefits took effect on 1 July 2013. 2013 has been restated for like for like comparison. Years prior to 2013 have not been adjusted to reflect the changes as a result of this change in accounting standard.

(2) Australia Post Corporation operations.

2 – Basic Postage Rate(3) (BPR) and consumer price index (CPI)

	2011	2012	2013	2014	2015
BPR cents	60	60	60	70	70
BPR concession cents	0	0	0	60	60
CPI all groups 8 capitals base 2011–12=100	99.2	100.4	102.8	105.9	107.5
Year on year change in BPR (%)	0.0%	0.0%	0.0%	16.7%	0.0%
Year on year change in CPI (%)	3.6%	1.2%	2.4%	3.0%	1.5%
Change in real postage (%)	–3.6%	–1.2%	–2.4%	13.7%	–1.5%

(3) Postage rates applicable to standard letters carried within Australia by ordinary post.

3 – Post offices at 30 June 2015

	NSW/ACT	VIC/TAS	QLD	WA	SA/NT	Total
Corporate offices						
1 July 2014	264	204	130	79	63	**740**
30 June 2015	261	202	123	79	63	**728**
Licensed post offices/franchises						
1 July 2014	875	958	471	293	318	**2,915**
30 June 2015	864	955	471	291	318	**2,899**
Community postal agencies						
1 July 2014	140	94	198	100	230	**762**
30 June 2015	144	97	200	104	234	**779**
Total outlets						
1 July 2014	1,279	1,256	799	472	611	**4,417**
30 June 2015	1,269	1,254	794	474	615	**4,406**

4 – Post offices by state and geographic classification

Geographic[1] classification	NSW	ACT	VIC	QLD	SA	WA	TAS	NT	Oth Terr	Australia
Metro	609	50	517	268	174	185	40	9	0	1,852
Rural	562	2	515	362	279	155	150	10	0	2,035
Remote	53	0	19	164	52	136	6	87	2	519
	1,224	**52**	**1,051**	**794**	**505**	**476**	**196**	**106**	**2**	**4,406**

1 Geographic Classifications use DPIE/HSH November 1994 Metropolitan, Rural Remote Areas Classifications by 1991 Census SLA.
Note: This table uses Geographic States, not Australia Post Administrative States.

5 – Frequency of service to delivery points (% of total points at 30 June 2015)

Frequency per week	Metro Areas	Rural Areas	Remote Areas	Total
One	0.0	0.0	0.3	0.0
Two to four	0.1	3.9	5.9	1.2
Five or more	99.9	96.1	93.8	98.8
Total	**100.0**	**100.0**	**100.0**	**100.0**

6 Overall letter service performance

Per cent on time	2014/2015	Qtr Ended 30/06/2015	Qtr Ended 31/03/2015	Qtr Ended 31/12/2014	Qtr Ended 30/09/2014
NSW	94.8	95.1	95.1	93.8	95.1
VIC	94.6	94.7	94.5	93.8	95.4
QLD	94.6	96.4	95.1	94.4	92.8
SA	95.6	95.7	96.7	94.4	96.0
WA	95.0	95.7	95.4	94.3	94.7
TAS	97.2	97.6	97.7	96.1	97.2
NT	92.9	94.4	93.7	91.5	92.0
ACT	95.2	94.6	97.2	93.4	95.9
NAT	94.8	95.3	95.1	94.0	94.9
Per cent + One day					
NSW	98.6	98.7	98.6	98.4	98.6
VIC	98.6	98.5	98.6	98.6	98.7
QLD	98.7	99.2	98.8	98.7	98.3
SA	98.6	98.6	98.9	97.9	98.9
WA	98.3	98.7	98.5	98.2	97.8
TAS	99.3	99.5	99.5	98.9	99.2
NT	98.8	99.2	99.0	98.6	98.5
ACT	98.9	98.8	99.2	98.6	99.3
NAT	98.6	98.8	98.7	98.5	98.6

Index

A

about this report 69–70, 126
accounting policies 101
act ethically and responsibly 54
advocacy 39
Alcohol and Other Drugs Policy 35
Alibaba 25
Asian gateway 25
assessing for impairment 81
assurance statement 49
Audit & Risk Committee 52–3, 54, 56
audit services 55
Auditor General's Report 108–9
auditors' remuneration 99
Australia Post AFL Community Camps 43
Australia Post AFL Multicultural program 43
Australia Post brand 22
Australia Post One Netball Ambassadors 42
Australia Post One Netball Community Awards 42
Australia Post Security Group 54
Australian Packaging Covenant Action Plan 47
Australian Postal Corporation 99
Australian Postal Corporation Act 1989 2

B

basis of consolidation 69
bicycle donations 26
board committees, evaluation 51
board of Australia Post 6–7
- appointments 50
- evaluation 51
- role and responsibilities 50
- skills 53
- structure of 51–3
- *see also* directors of Australia Post

building a better future 19
Business 250 membership 23
business accelerators 41
Business Hubs 39

C

carbon emissions 45
carbon reduction target 44
Chairman's message 4
changes to our business 10
China, eCommerce companies 25
China Post 8, 25
Close the Loop 47
Community Engagement Program 43
community events 9, 42
community investment 44
Community Postal Agencies 29
Community Stakeholder Engagement Program 16
competition and consumer law 54
consolidated balance sheet 65
consolidated statement of cash flows 67
consolidated statement of changes in equity 66
consolidated statement of comprehensive income 64
corporate governance statement 50–8
corporate plan 115
corporate responsibility 42, 56–7
Corporate Secretary 50–1
corporate services 41
customers
- convenience 27
- delivering service to 38–9
- easier life 39
- feedback from 28, 38
- needs of 10

D

dangerous dogs and postie safety 34
deferred income tax 76
Delivery Choices service 41
delivery points 9, 23, 27
digital services 29, 30
directors of Australia Post 6–7, 53
- attendance at meetings 58
- evaluation 51
- induction program 53
- related party transactions 86
- remuneration and retirement benefits 58, 86
- *see also* board of Australia Post

disclosure obligations 55
disclosure of information 118–19
diversity 36, 51
Domestic Letter Service Monitor 110–11

E

eCommerce 4, 5, 13, 18–25, 20, 21, 41
employees
- annual leave 85
- long service leave 85
- part-time/full-time 36
- provisions 85
- separation and redundancy 85
- statistics and categories 36
- support to 33
- turnover rate 36
- workers' compensation 85

energy efficiency 46
engaging our people 33
Environmental Engagement Strategy 47
Environmental Management System 44
environmental responsibility 32
environmental sustainability 44, 47
events after balance date 70
examination of mail 118
Executive Committee 7, 50, 51
executive remuneration 58
external audit 55

F

fair value accounting 71
Farmhouse Direct 24, 25
financial performance 71–7
financial report audit report 62–3
financial statement 14–15
foreign currency translation 69–70
freedom of information report 117–18
future changes 19
Future Ready strategy 13

G

gateway facilities 8
geographical segments 71
glossary 125
Go and Grow Online events 23, 40
Go Digi digital literacy platform 43
GoodSpender 24, 25
government obligations 115–16
government policies 115
government services 41
greenhouse gas emissions 45
group security 54

H

Hack Dayz 31
Human Resources Committee 52

I

impact on community 44
impairment testing results 81
indemnities and insurance premiums 115
Independent Assurance Report 112–13
independent directors, *see* directors of Australia Post innovation 19, 30
integrity in corporate reporting 54–5
interest rate swaps 95
internal audit 55
internal control framework 56
international supply chain 25
intersegment revenue 71
investment 14, 23
iPhone apps 31
iWatch apps 31

K

key estimates
- classification 82
- international mail revenue 73
- other provisions 84
- self-insured risk liability 85
- unearned postage revenue 83
- valuation 82

key judgements and estimates 69

L

Last Mile Notifications service 23
leadership 4–7
legislation 115
letters service 4, 16, 18
Licensed Post Offices 29
Load&Go China Travel Card 29

M

Mail Services business 15
management internal control sign-off 55
Managing Director & Group CEO
  delegation to 50
  message from 5
Mobile Muster 47
mobile services 30
MyPost Deliveries Account 23, 30, 39, 41
MyPost Digital MailBox 29, 39, 41

N

National Community Partners 42
National Conversation platform 16
natural resources 45
Net Promoter Score 23
NetSuite 23
network 8, 27
network efficiency 19
new markets 24
Nomination & Remuneration Committee 52, 58
notes to the financial statements 70, 71
  asset platform 78–84
  auditors' remuneration 99
  Australian Accounting Standards 102–5
  Australian Postal Corporation 99
  capital management 90–1
  cash flows 77
  change in accounting estimate 101
  community service obligations 106
  contingencies 100
  current/non-current classification 101
  defined benefit post employee benefits 87
  derivatives 95–6
  dividends 77
  employee provisions 85
  expenses for year 74
  fair value measurement 97
  financial risk management 92–4
  foreign currency derivatives 95
  funding structure and management of financial risks 90–7
  goods and services taxes 101
  hedge accounting 96
  impairment of non-financial assets 81
  intangible assets 80
  inventories 101
  investment property 82
  leases 99
  other accounting policies 70
  other information 98–105
  other provisions 84
  Our People 85–9
  payables 83
  post employment benefits 87–8
  property, plant & equipment 79
  Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 101
  receivables 78
  revenue and other income 73
  segment information 71–2
  senior executive and director remuneration and retirement benefits 86
  subsidiaries and controlled entities 98
  superannuation obligations 89
  taxation performance for year 75–6

O

objective 115
online selling and delivering 23
on-time deliveries 27
operating segment results 72
Our Australia project 37
Our Business 8–13
Our Community 1
Our Customers 1
Our Neighbourhood Community Grants program 43
Our People 1, 5, 8, 13, 36
outlook 15

P

packaging sustainability 47
parcel lockers 8
Parcel Services business 15, 21
partners 5
People's Choice Award 22–3
performance, 2014/15 5, 14, 28
philatelic sales 29
Planet Ark 47
post offices
  Community Postal Agencies 29
  customer visits 9
  licensed 29
  metropolitan 9
  rural and regional 9
  statistics 27
  transforming 27–9
  see also superstores
Post People 1st 33
postie bikes 26
privacy protection 54
products 8

R

recycling programs 47
redundancies 33
regulatory reform 5
remuneration 58
renewable energy 46
reporting aims and rationale 124
reserved/non-reserved services 114
responsible sourcing 57
Retail and Agency Services business 15
Retail Customer Experience Program 28
Retail CX 28
rights of shareholders 55–6
risk recognition and management 56–7
rural services 39, 40

S

safety 33, 34
safety performance 34
say2action pulse survey 33
schedule of commitments 68
segment performance 15
senior executives 86
sensitivity 81
shared values 13
shareholder relations program 55
shareholders, respect rights of 55–6
ShopMate service 9, 24
significant changes in the current reporting period 70
small business customers 39, 40
social responsibility 32
Stakeholder Council 17
stakeholder engagement 16
stakeholders 55–6
stamps 29
StarTrack 20, 22
StarTrack House 46
StarTrack Online Retail Industry Awards 22
statement by directors, group CEO and group chief financial officer 61
statistics 120–1
status of business 2
statutory reporting requirements 115–19
strategy 115
street posting boxes 27
Superannuation Act 1976 89
superstores 28
suppliers 57
Survey Certification 112–13

T

targets 115
tax consolidation 76
taxation obligations 57
technology and innovation 30
TerraCycle Australia 47
Tjanpi Desert Weavers 43
treasury policy 57
types of borrowings 91
Tyre Stewardship Australia 47

U

UnionPay Load&Go Multi-Currency Prepaid Travel Card 29

V

vehicle fleet 8, 35, 45

W

waste reduction 47
Work Health and Safety report 116–17
Workmate (film) 37
workplace flexibility and support 37
workplace giving 44

Z

Zero Waste Box 47

Glossary

all injuries refer to all work-related injuries where claims have been lodged and accepted (LTIs are included in this category).

balance sheet A statement of Australia Post's assets and liabilities and the amount of the Commonwealth Government's investment at the end of the financial year.

cashflow statement Shows the derivation of Australia Post's cash resources during the financial year and its cash outlays.

CO_2-e There are six greenhouse gases that are converted to units of carbon dioxide to provide a more simplified measure. Collectively, these are called carbon dioxide equivalents or CO_2-e.

commerce Activity involving the purchase and sale of goods and services.

community service obligations A set of legal obligations imposed on an enterprise to provide additional services to the community in which it operates. These are usually loss-making services based on human need or quality or life.

current assets Assets that are likely to be converted to cash within the next 12 months.

current liabilities Liabilities that are due and payable within the next 12 months.

disease refers to a work-related disease usually resulting from repeated or long-term exposure to an agent or activity. For example, loss of hearing as a result of long-term exposure to noise; from a single exposure to an infectious agent, or from multiple or uncertain causes.

digital communication Information that is transmitted electronically, through devices such as computers and mobile phones. Examples of digital communication includes emails and text messaging.

digital economy The economy that derives from global economic and social connection and collaboration between individuals and businesses. This activity is made possible by the internet as well as mobile and sensor networks. A successful digital economy is essential for Australia's economic growth and our ability to maintain our international standing.

EBIT Earnings before interest and taxes. A measure of profit that includes all expenses, except interest and income tax expenses.

eCommerce Business activity based on electronic forms of communication, such as online purchases or transactions.

equity The corporation's total capital and reserves plus profits that have been reinvested over the years.

hedging A risk-management strategy used to limit or offset a likely loss from fluctuations in the prices of currencies, commodities or securities.

injury refers to a work-related injury is the result of a single traumatic event where the harm or hurt is immediately apparent. For example, a knock to the lower leg from an incident with a motor vehicle or burns resulting from hot water splash.

lost time injuries (LTIs) are injuries linked to a claim where there is at least one incapacity determination with at least one full shift lost, when that incapacity was determined prior to the end of a 'development period'.

marketplace The commercial realm of business, trade and economics.

Net Promoter Score (NPS) A widely used measure of consumer sentiment that tracks the answer to a single question, using a 0-10 scale: *How likely is it that you would recommend Australia Post to a friend or colleague?* Respondents are grouped as follows:

- Promoters (score 9–10) are loyal enthusiasts who will keep buying and refer others, fueling growth.
- Passives (score 7–8) are satisfied but unenthusiastic customers who are vulnerable to competitive offerings.
- Detractors (score 0–6) are unhappy customers who can damage your brand and impede growth through negative word-of-mouth.

Subtracting the percentage of Detractors from the percentage of Promoters yields the Net Promoter Score, which can range from a low of –100 (if every customer is a Detractor) to a high of 100 (if every customer is a Promoter).

non-current assets Assets that will likely be held for a period of greater than 12 months.

non-current liabilities Liabilities that will likely be owed for a period of greater than 12 months.

regulated services Includes reserved letter services and incoming overseas mail services, as defined in s32C of the *Australian Postal Corporation Act 1989*, that are provided under the Universal Postal Convention and the Letter Post Regulations.

reserved services Services reserved to Australia Post under Division 2, Part 3 of the *Australian Postal Corporation Act 1989*.

Scope 1 emissions Direct emissions generated by Australia Post through its use of gas or diesel and petrol.

Scope 2 emissions Direct emissions generated by Australia Post through its use of electricity.

Scope 3 emissions Indirect emissions generated by other organisations on Australia Post's behalf, for example, outsourced transport.

statement of comprehensive income The revenue and expenses of Australia Post for the financial year.

About this report

Australia Post's 2015 Annual Report provides a detailed account of our financial, social and environmental performance. The purpose of the report is to communicate to our stakeholders our overall business performance and how we address and manage our social, environmental and economic issues and impacts.

The information contained in this report covers the 2014/15 financial year and is prepared according to legislative requirements, the GRI G4 Guidelines, and the principles of the UN Global Compact Initiative.

Target audience

Our annual report has been produced for our primary stakeholders, which are our people, our customers, our shareholder (the Australian Government) and the broader Australian community. However, the content would be of interest to a broader range of stakeholders including regulators, suppliers, industry bodies, community groups and non-government organisations, the media and key opinion leaders.

Materiality assessment

We conducted a rigorous materiality assessment to determine the issues of greatest concern to our stakeholders and to define report content and reporting boundaries.

In doing so, we consulted with internal stakeholders (including representatives of our Risk and Compliance, Stakeholder Relations, Workplace Relations, Sustainability and Community Relations areas) and drew on a number of source materials, such as recent customer research and media coverage. These outcomes were then tested with Australia Post's Stakeholder Council.

The issues that ranked highest on our materiality matrix have been reported in this integrated annual report. A table showing material topics, GRI aspects and reporting boundaries is available with the full GRI G4 content index on our website at **auspost.com.au/annualreport2015**.

Report scope and boundary

The report covers the activities of the Australian Postal Corporation and its associated companies. Our licensees, franchisees, community postal agents and mail contractors fall outside the parameters of this report. However, we provide some information about them on pages 29 and 34.

Assurance process

Our assurance process includes the following activities.

- The Australia Post board Audit and Risk Committee checks the financial statements to ensure they are accurate and complete.
- Our financial statements and our performance against the prescribed performance standards set out under our Community Service Obligations are independently audited by the Australian National Audit Office.
- TNS Australia verifies the delivery performance of our domestic letters service and Deloitte Touche Tohmatsu independently assures TNS Australia's findings.
- EY has provided limited assurance over non-financial aspects of the report, which included checking the accuracy and completeness of material data and associated commentary. A copy of the assurance statement can be found at 49.
- EY has provided limited assurance over our carbon/GHG emissions against the National Greenhouse and Energy Reporting Act and Regulations.
- London Benchmarking Group verified our community investment data. EY has pre-assured our community investment to inform our ongoing commitment to best practice.

GRI application level

Our 2015 Annual Report has been self-declared and third party checked for compliance with G4 Reporting Standards to the level of "in accordance" – Core.

A summary GRI table is provided on page 48. Our full GRI table, UN Global Compact table and our Disclosure to Management Approach is available on our website at **auspost.com.au/annualreport2015**.

Copies of the report

The 2015 Annual Report and supporting documentation can be viewed online at auspost.com.au/annualreport2015.

To order a printed copy of the report, email: annual.report@auspost.com.au or phone 13 POST (13 7678).

Feedback

We'd like to hear your feedback so we can continue to improve our business, including how we report our performance.
To provide feedback, visit auspost.com.au/annualreport2015 or email annual.report@auspost.com.au.

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Awards

Australia Post received a Silver award for its 2013/2014 Annual Report at the 2015 Australasian Reporting Awards.

arawards.com.au

Commitment to external initiatives

Australia Post is an active supporter of leading national and international initiatives in sustainability and community investment.

A signatory since 2010.
unglobalcompact.or
thehub.ethics.org.au/ungc

A partner since 2010.
Climateinstitute.org.au

A supporter since 2007.
Earthhour.org

A member since 2009.
lbg-australia.com

Credits

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ERD.COM.AU

This document was produced by an ISO 14001-compliant and FSC-certified printer, using Maine 60 per cent recycled FSC® and carbon neutral certified paper.


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